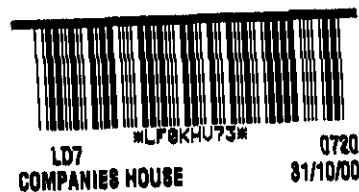


Citibank Investments Limited

Directors' Report and Accounts 31 December 1999

Registered number : 1911126



Citibank Investments Limited

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1999

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Citibank Investments Limited and Subsidiaries

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Ms Ellen ALEMANY (*American*) Chairman

Ms E-Noël HARWERTH (*American*)

Dr Thomas F HUERTAS (*American*)

Michael J KIRKWOOD

Jeffrey R WALSH (*American*)

SECRETARY

John S Mitchell-Hewson, FCIS

REGISTERED OFFICE

336 Strand
London WC2R 1HB

AUDITORS

KPMG Audit Plc
Chartered Accountants and Registered Auditor
8 Salisbury Square
London EC4Y 8BB

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited financial statements ('Accounts') of the Company and its Group for the year ended 31 December 1999 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985 (as amended).

Principal Activities and Review of the Business

The Company's business is the making, holding and managing of investments for capital account and acting as the holding company for the subsidiary undertakings of Citibank, N.A. ('Citibank') in the United Kingdom which are primarily engaged in the provision of international banking and related financial services, and in connection with that activity provides or procures capital and funding facilities.

The Company made the following new or additional investments during the year:

In February 1999 the Company acquired, from its immediate parent, approximately 99.99 per cent of the entire issued share capital of **Citibank SA**, a company incorporated in the Republic of France, for an aggregate consideration of £22,947,943 which was satisfied by the issue and allotment of shares in the capital of the Company;

In February 1999 the Company acquired, from Citibank SA, 99.00 per cent of the entire issued share capital or equivalent of **SNC Citi Gestion**, a société en nom collectif in the Republic of France, for an aggregate cash consideration of FrF6,588,000 (equivalent £690,834);

In March 1999 the Company acquired, from Citicorp International Securities Ltd, the entire issued share capital of **Citiviv Nominees Limited**, a company incorporated in Great Britain, for an aggregate cash consideration of £2;

In May 1999 the Company acquired, by direct application or subscription, 11 'B' Ordinary shares of £1.00 each representing approximately 11.00 per cent of the entire issued share capital of **Syward Place Limited**, a company incorporated in Great Britain, for an aggregate cash consideration of £400,000;

In August 1999 the Company acquired, from its immediate parent, 1,540,000 Ordinary shares of FrF100 each and representing the entire issued share capital of **Diners Club de France SA**, a company incorporated in the Republic of France, for an aggregate consideration of £1,700,135 which was satisfied by the issue and allotment of shares in the capital of the Company;

In December 1999 the Company was granted, by Canary Wharf (DS6) T1 Limited and Canary Wharf (DS6) T2 Limited jointly an Underlease, for a term of 999 years, relating to land and buildings at 33 Canada Square, Canary Wharf, London E14 5LB.

and sold the following investments:

In February 1999 the Company sold its interests in approximately 99.99 per cent of the entire issued share capital of **Citibank SA**, a company incorporated in the Republic of France, to its subsidiary undertaking Citibank International plc for an aggregate consideration of £22,947,943 which was satisfied by the issue and allotment to the Company of 22,947,943 Sterling Ordinary shares of £1.00 each credited as fully paid in the capital of the Citibank International plc;

In August 1999 the Company sold its interests in the entire issued share capital of **Diners Club de France SA**, a company incorporated in the Republic of France, to its subsidiary undertaking Citibank International plc for an aggregate consideration of £1,700,135 which was satisfied by the issue and allotment to the Company of 1,700,135 Sterling Ordinary shares of £1.00 each credited as fully paid in the capital of the Citibank International plc;

In August 1999 the Company sold its interests in the entire issued share capital of **Citininvest SpA**, a company incorporated in the Republic of Italy, to its immediate parent Citibank Overseas Investment Corporation for an aggregate cash consideration of ITL27,668,000,000 (equivalent £9,418,000);

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Principal Activities and Review of the Business (continued)

In December 1999 the Company surrendered the Underlease for a term of 999 years, dated 1 December 1999, relating to land and buildings at 33 Canada Square, Canary Wharf, London E14 5LB to Canary Wharf (DS6) T1 Limited and Canary Wharf (DS6) T2 Limited jointly for an aggregate cash consideration of £87,879,186;

Since the year, the Company has made the following new or additional investments:

In January 2000 the Company acquired, by direct application or subscription, 3,980,000 shares of ITL1,000 each in, and representing approximately 19.90 per cent of, the issued share capital or equivalent of **Unipol SIM S.p.A.**, a company incorporated in the Republic of Italy, for an aggregate cash consideration of ITL3,980,000,000 (equivalent £1,434,751);

In January 2000 the Company acquired, by direct application or subscription, 200 'B' Ordinary shares of £1.00 each representing approximately 2.00 per cent of the then entire issued share capital of **Zammat Limited**, a company incorporated in Great Britain, for an aggregate cash consideration of £112,000;

In March 2000 the Company acquired, by direct application or subscription under three tranches, an aggregate of 32,250,000 Class 'A' shares of 10 pence each in the issued share capital of **Volbroker.com Limited**, a company incorporated in Great Britain, for an aggregate cash consideration of £3,225,000;

In April 2000 the Company acquired, from its fellow group company **International Finance Associates, BV**, two equity participations of PTE20,000 each, fully paid, and representing 0.80 per cent of the entire issued share capital or equivalent of **Citico - Sociedade Gestora de Participações Sociais, Lda**, a company incorporated in the Republic of Portugal, for an aggregate cash consideration of PTE40,000 (equivalent £115);

In April 2000 the Company acquired, from its immediate parent Citibank Overseas Investment Corporation, two equity participations, one of PTE2,500,000 and one of PTE2,460,000, fully paid, and representing 99.20 per cent of the entire issued share capital or equivalent of **Citico - Sociedade Gestora de Participações Sociais, Lda**, a company incorporated in the Republic of Portugal, together with PTE14,750,339,000 of supplementary capital thereof for an aggregate consideration of £42,581,081 which was satisfied by the issue and allotment of new Preference shares in the capital of the Company;

In May 2000 the Company acquired the respective entire share capitals which comprised 2 Ordinary shares of £1.00 each of **ten nominee companies**, each incorporated in Great Britain, for whose activities shall relate to nominee services for clients of Citibank or Citibank International plc for an aggregate cash consideration of £2.00 per company, excluding incorporation costs. These companies are now known as:

CitiClient Nominees No 1 Limited
CitiClient Nominees No 3 Limited
CitiClient Nominees No 5 Limited
CitiClient Nominees No 7 Limited
CitiClient (CPF) Nominees Limited

CitiClient Nominees No 2 Limited
CitiClient Nominees No 4 Limited
CitiClient Nominees No 6 Limited
CitiClient Nominees No 8 Limited
CitiClient (CPF) Nominees No 2 Limited

In August 2000 the Company acquired by purchase from The United Bank of Kuwait Plc an additional 8 Voting shares of £1.00, fully paid, and an additional 1,427 Income shares of £1.00, fully paid, in the issued share capital of **Argent Development Consortium Limited** for an aggregate cash consideration of £76,913.21p;

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Principal Activities and Review of the Business (continued)

In August 2000 the Company acquired, by direct subscription, 2 Ordinary shares of £1.00 each representing the entire issued share capital of **Citigroup (UK) Pension Trustee Limited**, a company incorporated in Great Britain, for an aggregate cash consideration of £2.00;

In August 2000 the Company acquired from its immediate parent company, Citibank Overseas Investment Corporation, an additional 23,802,624 Sterling Ordinary shares of £1.00 each, fully paid, in the issued share capital of its subsidiary undertaking **Citibank International plc** pursuant to a Deed of Agreement of that date for an aggregate consideration of £23,802,624;

and sold the following investments:

In April 2000 the Company sold its interests in the entire issued share capital or equivalent of **Citico - Sociedade Gestora de Participações Sociais, Lda**, a company incorporated in the Republic of Portugal, which then comprised four equity participations: one of PTE2,500,000; one of PTE2,460,000; and two of PTE20,000 each respectively fully paid, together with PTE14,750,339,000 of supplementary capital thereof to its subsidiary undertaking Citibank International plc for an aggregate consideration of £42,581,081 which was satisfied by the issue and allotment to the Company of 42,581,197 6.5% Fixed Cumulative Redeemable Preference shares of £1.00 each credited as fully paid in the capital of the Citibank International plc.

Future Developments

The Directors intend that the Company will continue to review and consider investment opportunities as and when they arise and, additionally, to further the objectives of Citibank of creating, and maintaining, within the United Kingdom a single and appropriately structured corporate group within respective confines of United Kingdom and United States of America laws and regulations.

Results and Dividends

The Company made a profit for the year, before taxation and dividends, of £8,068,000 (1998 £35,453,000) and, after taxation and dividends, made a profit for the year of £20,631,000 (1998 £8,633,000). Upon consolidation there was a profit for the Group, after taxation and dividends, of £57,593,000 (1998 loss £4,087,000).

No dividends have been declared nor paid during the year in respect of the year (1998 Interim £24,500,000) and the Directors do not propose the declaration of any dividends in respect of the year.

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Share Capital

In February 1999 the Directors issued and allotted an aggregate of 22,947,943 Ordinary shares of £1.00 each, credited in the books of the Company as fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of approximately 99.99 per cent of the entire issued share capital of Citibank SA valued at £22,947,943 pursuant to an Agreement of that date.

In August 1999 the Directors issued and allotted an aggregate of 1,700,135 Ordinary shares of £1.00 each, credited in the books of the Company as fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of the entire issued share capital of Diners Club de France SA valued at £1,700,135 pursuant to an Agreement of that date.

Since the year, at an Extraordinary General Meeting held on 30 March 2000 the authorised share capital of the Company was increased to £1,600,000,000 firstly by the creation of 500,000,000 new Ordinary shares of £1 each ranking *pari passu* in all respects with then existing 500,000,000 Ordinary shares of £1 each and secondly by the creation of 600,000,000 6.5% Fixed Rate Cumulative Redeemable Preference shares of £1.00 each.

In April 2000 the Directors issued and allotted an aggregate of 42,581,081 6.5% Fixed Rate Cumulative Redeemable shares of £1.00 each, credited in the books of the Company as fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of two equity participations, one of PTE2,500,000 and one of PTE2,460,000, fully paid, and representing 99.20 per cent of the entire issued share capital or equivalent of Citico - Sociedade Gestora de Participações Sociais, Lda together with PTE14,750,339,000 of supplementary capital thereof.

Additionally, in 31 August 2000 the Directors issued and allotted an aggregate of 23,802,624 Ordinary shares of £1.00 each, credited in the books of the Company as fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 23,802,624 Sterling Ordinary shares of £1.00 each, fully paid, in the issued share capital of Citibank International plc pursuant to a Deed of Agreement of that date

Fixed Assets

Movements in fixed assets of the Company and Group during the year are indicated in Note 19 to the Accounts.

It is the opinion of the Directors that there was no significant difference between the respective book and market values of the freehold land and buildings at 31 December 1999.

Suppliers

It is the Directors' policy to ensure that suppliers are paid within 30 days of invoice date or as may otherwise be agreed between the respective supplier and the Company. The Company, as with other UK subsidiary undertakings, continues to retain the centralised services and facilities of the London Branch of Citibank, for the purposes of settling its suppliers' accounts.

The average time between receipt of an invoice by Citibank and the payment of that invoice in 1999 was 31 days (1998 35 days). As Citibank is retained for the purposes of settling accounts, this is also the number of days the Company takes to pay its suppliers.

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Directors

The names of the present Directors are shown on page 1. During the year, there was one appointment to, and one departure from, the Board. Dr Thomas F Huertas was appointed an additional Director of the Company effective 1 April 1999 and Mr Per Etholm resigned as a Director of the Company effective 30 March 1999.

Since the year there have been two appointments to, and one departure from, the Board. Ms Ellen Alemany was appointed an additional Director of the Company effective 4 April 2000 and Ms E-Noël Harwerth was appointed an additional Director of the Company on 15 August 2000. Mr Edward A Holmes resigned as a Director of the Company effective 31 March 2000.

No service contracts have subsisted between the Company and any of its Directors during the year and no such contracts have come into being since the year.

Directors' Interests

None of the Directors, nor any member of their respective families, had reported any material interests in contracts involving the Company, or interests in the share or loan capital of the ultimate holding company, or its subsidiary undertakings, at the relevant dates which required disclosure.

Directors' Responsibilities for Financial Statements

Company law requires the Directors to prepare financial statements for each accounting reference period which give a true and fair view of the state of affairs of the Company and Group and of the profit or, as the case may be, loss for that period (the 'financial statements').

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985 as amended.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Employees

Certain fellow UK Citigroup Inc entities have made available a number of persons (not employees of the Company) to be engaged in the performance of certain functions in connection with the Company's business. No payment has been made demanded of nor made by the Company for the personnel or services so provided.

The average weekly number of persons employed during the year by the Company's subsidiary undertakings was 1,111 (1998 1,390) and their remuneration amounted, in aggregate, to £59,537,000 (1998 £62,946,000).

Employee Involvement and Disabled Persons

It is the policy of the Company that subsidiary undertakings continue to implement well established policies and procedures, involving notices, circulars, briefing meetings, training courses and a regular in-house journal for keeping their employees informed on matters affecting them and of the financial and economic factors affecting their respective companies' and the Group's performance.

It is also Group policy to encourage the employment of disabled persons and accordingly ensure that subsidiary undertakings give as full and as fair consideration to all applications for employment from disabled persons as would be given to others. It is also policy to prevent the discrimination against disabled persons, when employed, as regards their career development and promotion.

It is intended that, in respect of persons becoming disabled whilst in the employ of a subsidiary undertaking, the Company or its subsidiary undertakings would seek to either provide the means for such persons to continue in their job or offer them an alternative position commensurate with their abilities.

Charitable Donations and Political Contributions

During the year the Group made payments amounting, in aggregate, to £37,000 (1998 £4,000) for charitable purposes. Neither the Company nor any of its subsidiary undertakings made any payments or contributions for political purposes during the year or in the preceding year.

Close Company Provisions & Ultimate Holding Company

In the opinion of the Directors, the close company provisions of the Income and Corporation Taxes Act 1988 do not, and did not at 31 December 1999, apply to the Company.

The Directors regarded Citigroup Inc, which is incorporated in the United States of America under the laws of the State of Delaware as the Company's ultimate holding company at 31 December 1999.

Citibank Investments Limited and Subsidiaries

REPORT OF THE DIRECTORS (continued)

Auditors

The Company's Auditor KPMG Audit Plc, Chartered Accountants and Registered Auditor, has indicated its willingness to continue in office and, accordingly, a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985, as amended.

Approved by the Board of Directors on 31 October 2000 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'John S Mitchell-Hewson', written over a horizontal line.

John S Mitchell-Hewson
Secretary.

Registered Office: 336 Strand, LONDON WC2R 1HB

REPORT OF THE AUDITORS TO THE MEMBERS OF CITIBANK INVESTMENTS LIMITED

We have audited the financial statements on pages 10 to 45.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999, and of the profit of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants
Registered Auditor
London

31 October 2000

Citibank Investments Limited and Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1999

	Note	Continuing Operations 1999 £'000	Discontinued Operations 1999 £'000	Total 1999 £'000	Total 1998 £'000
Interest receivable					
- interest receivable and similar income arising from debt securities		72,980	2,886	75,866	73,994
- other interest receivable and similar income		158,414	146	158,560	185,782
Less : interest payable		(179,111)	(3,123)	(182,234)	(196,124)
NET INTEREST INCOME		52,283	(91)	52,192	63,652
Dividend income	2	3,322	3,882	7,204	13,207
Fees and commissions receivable		83,388	32	83,420	79,968
Less: fees and commissions payable		(4,804)	(394)	(5,198)	(3,831)
Dealing profits / (losses)		39,347	(13,294)	26,053	41,019
Other operating income		74,469	490	74,959	69,363
OPERATING INCOME		248,005	(9,375)	238,630	263,378
Administrative expenses	3	(137,366)	(1,699)	(139,065)	(158,726)
Depreciation and amortisation	19	(53,372)	-	(53,372)	(45,262)
Other operating charges		(7,441)	(471)	(7,912)	-
Provisions for bad and doubtful debts	13	(4,174)	-	(4,174)	(3,670)
Provisions for contingent liabilities and commitments	26	(6,170)	-	(6,170)	(19,602)
OPERATING EXPENSES		(208,523)	(2,170)	(210,693)	(227,260)
OPERATING PROFIT / (LOSS)		39,482	(11,545)	27,937	36,118
Provisions for loss on discontinued operations		-	327	327	(665)
Restructuring costs directly charged in the year		(1,503)	-	(1,503)	-
Profit on disposal of fixed assets	6	53,760	-	53,760	-
Profit on disposal of subsidiary undertaking		2,485	-	2,485	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	5	94,224	(11,218)	83,006	35,453
Tax on profit on ordinary activities	7			(25,413)	(15,040)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX				57,593	20,413
Dividends				-	(24,500)
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR				57,593	(4,087)

Citibank Investments Limited and Subsidiaries

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 1999

	1999 £'000	1998 £'000
Profit for the financial year	57,593	20,413
Currency translation differences	(131)	(338)
Total recognised gains and losses for the year	<u>57,462</u>	<u>20,075</u>

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 1999

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, and their historical cost equivalents, except where market values are used for traded instruments, as stated in the accounting policies, Note 1.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 December 1999

	1999 £'000	1998 £'000
Profit for the financial year	57,593	20,413
Dividends	-	(24,500)
Retained profit / (loss) for the year	<u>57,593</u>	<u>(4,087)</u>
Currency translation differences	(131)	(338)
New share capital issued at par	24,648	-
Net additions to / (reduction in) shareholders' funds	<u>82,110</u>	<u>(4,425)</u>
Opening shareholders' funds	<u>726,789</u>	<u>731,214</u>
Closing shareholders' funds	<u>808,899</u>	<u>726,789</u>

Citibank Investments Limited and Subsidiaries

CONSOLIDATED BALANCE SHEET as at 31 December 1999

	Note	1999 £'000	1998 £'000
ASSETS			
Cash and balances at central banks		35,502	10,381
Loans and advances to banks	11	1,294,618	1,446,679
Loans and advances to customers	12	1,362,453	1,497,988
Loans subject to non-recourse financing arrangements	14	203,363	258,184
Less: non-returnable finance		(170,912)	(225,489)
		32,451	32,695
Debt securities	15	1,343,354	928,533
Equity securities	16	82,327	240,583
Participating interests	18	3,341	3,711
Tangible fixed assets	19	151,648	181,872
Other assets	20	1,008,409	1,938,984
Prepayments and accrued income		63,528	64,080
Total Assets	10	5,377,631	6,345,506
LIABILITIES			
Deposits by banks	21	2,480,770	2,611,936
Customer accounts	22	779,052	677,249
Debt securities in issue	23	30,000	30,000
Other liabilities	24	1,099,913	2,140,699
Accruals and deferred income		104,831	65,376
Provisions for liabilities and charges			
- deferred taxation	25	(14,161)	(8,978)
- other provisions	26	26,473	32,205
Subordinated liabilities	27	61,854	70,230
Called up share capital	28	483,663	459,015
Capital reserve	29	566	566
Profit and loss account	29	324,670	267,208
Equity Shareholders' funds		808,899	726,789
Total Liabilities	10	5,377,631	6,345,506
MEMORANDUM ITEMS			
Contingent liabilities :			
- guarantees and assets pledged as collateral security	31	53,689	73,659
Commitments :			
- other commitments	31	1,311,114	1,093,923

Approved by the Board of Directors on 31 October 2000 and signed on their behalf by:



Ms E-Noël Harwerth, Director.

Citibank Investments Limited and Subsidiaries

COMPANY BALANCE SHEET as at 31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Investments	16	2,268	2,012
Investments in group undertakings	17	707,163	653,410
		<u>709,431</u>	<u>655,422</u>
CURRENT ASSETS			
Loans and advances to subsidiary undertakings	12	70,412	70,384
Other Assets	20	10,607	15,010
Prepayments and accrued income		1,212	1,142
Balances with group banking undertakings	11	107,783	30,900
		<u>190,014</u>	<u>117,436</u>
CURRENT LIABILITIES			
Other liabilities	24	89,785	44,322
Accruals and deferred income		-	12
		<u>89,785</u>	<u>44,334</u>
NET CURRENT ASSETS		<u>100,229</u>	<u>73,102</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		809,660	728,524
PROVISION FOR LIABILITIES AND CHARGES			
Other provisions for liabilities and charges	26	761	1,735
NET ASSETS		<u>808,899</u>	<u>726,789</u>
CAPITAL AND RESERVES			
Called up share capital	28	483,663	459,015
Capital reserve	29	566	566
Revaluation reserve	29	130,497	93,183
Profit and loss account	29	194,173	174,025
EQUITY SHAREHOLDERS' FUNDS		<u>808,899</u>	<u>726,789</u>

Approved by the Board of Directors on 31 October 2000 and signed on their behalf by:



Ms E-Noël Harwerth, Director.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared under the historical cost convention as modified in certain cases by revaluations to market value and in accordance with applicable Accounting Standards in the U.K. and the Statements of Recommended Accounting Practice issued jointly by the British Bankers' Association and the Irish Bankers' Federation.

Companies Acts

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups as applied by Regulation 9 of the Companies Act 1985 (Bank Accounts) Regulations 1991.

The Company is exempt from preparing its own profit and loss account in accordance with section 230 of the Companies Act 1985, and the Company balance sheet has been prepared in compliance with section 226 of, and Schedule 4 to, that Act.

Basis of Consolidation

The Group accounts include the assets, liabilities and results of all subsidiary undertakings. For associated undertakings the Group accounts include the Group's share of the results and share of the net assets of the undertakings. The accounts of all subsidiaries and associated undertakings are coterminous with those of the Company. Results of subsidiaries and associated undertakings acquired are included from the date of acquisition and of those disposed of are excluded from the date of disposal. Assets and liabilities of subsidiaries are recorded at their fair values at date of acquisition. Goodwill arising on consolidation is written off against reserves, and goodwill recovered is written back to reserves.

Investments in Group and Associated Undertakings

Investments in Group and Associated undertakings are stated in the Company's balance sheet at the Company's share of their net tangible assets. Aggregate net surpluses on revaluation of investments are taken to the revaluation reserve.

Related Party Transactions

Under Financial Reporting Standard No. 8, the Company is exempt from the requirement to disclose the detail of related party transactions with other Citigroup controlled companies.

Cash Flow Statement

Under Financial Reporting Standard No. 1 (Revised), the Group is exempt from the requirement to prepare a cashflow statement on the grounds that it is wholly owned and controlled by a company incorporated in the United States of America. The ultimate parent company is Citigroup, incorporated in the United States of America under the laws of the State of Delaware. The groups cashflows are included within the cashflow statement of that company, and its accounts are publicly available from its offices at 153 East 53rd Street, New York, NY. 10043, USA.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the market rates prevailing at the year end. The resulting foreign exchange differences are included in operating profit.

Overseas Branches

The assets and liabilities of overseas branch undertakings have been translated into sterling at rates of exchange prevailing at the year end. The results of overseas branches have been translated at average rates of exchange for the year.

Exchange differences arising from translation of opening net investments in overseas branches and from translation of the results of those branches at average rates are taken to reserves.

Assets and liabilities of businesses acquired as branches are recorded at their fair value on the date of acquisition. Goodwill arising is written off to reserves.

Participating Interests

Participating interests are accounted for at cost and any dividend income is credited to the profit and loss account in the year in which it is received.

Forward Foreign Exchange Contracts and Other Derivatives

Derivatives, including Swaps, Futures, Options and similar contracts, used in trading activities are carried at their fair value. Fair values are based on quoted market prices when available. If no quoted price exists for a particular investment, fair value is determined from market prices for its components using appropriate models. Changes in the fair values of trading derivatives are included in Dealing Profits. Positive and negative fair values of trading derivatives are set off where the contracts have been entered into under master netting agreements or other agreements that give a legally enforceable right of set-off. Derivatives held for hedging purposes are accounted for in the same manner as the underlying items hedged. Profits and losses on instruments hedging interest exposure are recognised over the life of the contract as an adjustment to interest receivable or payable. Any profit or loss on the early termination of a hedge is amortised over the remaining life of the underlying items it was hedging. If a hedged item is sold or settled, any unrecognised profit or loss on the related hedge is taken to the profit and loss account.

Investment Securities

Securities held for investment are valued at cost adjusted for accreted premium or discount on acquisition, less any provision for permanent diminution in value.

Securities held for sale

Securities held for sale which are considered readily marketable are valued at year end market prices. Changes in market value are recognised in the profit and loss account as 'Dealing Profits' as they arise.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Trading Securities

Trading securities, including those used as hedge instruments, are presented net of obligations to deliver the assets of the same issuer sold but not yet purchased and are valued at market prices prevailing at the year end. Net short positions have been disclosed separately.

Forward securities contracts are valued at market rates prevailing at the year end adjusted for the premium or discount paid spread evenly over the life of the contract.

Other trading securities are valued at market rates prevailing at the year end and the resultant changes in market value are including in 'Dealing profits'.

Sale and repurchase transactions

Securities, which have been sold with an agreement to repurchase, continue to be shown on the balance sheet and the sale proceeds recorded as a deposit. Securities acquired in reverse sale and repurchase transactions are not recognised in the balance sheet and the repurchase price is treated as a loan. The difference between the sale price and the repurchase price is accrued evenly over the life of the transaction and charged or credited to the profit and loss account as interest payable or receivable.

Interest and Fee Income

Interest receivable and payable, commitment commission and agency fees are accrued over the term of the loans and deposits. Where there is doubt over the collection of interest receivable, the interest is not accrued but is taken to the profit and loss account when received in cash.

Fees are accrued over the life of the underlying transaction except to the extent that they represent compensation for arranging the transaction. This portion is recognised in income on signing the agreement.

Mortgage Securitisation

Where the Company finances a portfolio of mortgage loans under non-recourse agreements which transfer substantially all of the risk to the provider of the finance, a linked presentation is used in accordance with the provisions of FRS No. 5. No gain or loss is recognised on the transfer.

Provision for Bad and doubtful debts

Specific and general provisions are made against loans, advances and certain products as considered appropriate by the Directors, and deducted from the related asset, or shown in Other liabilities as appropriate. Debts are written off when the Directors consider there is no prospect of further recoveries.

Pension and Other Post-Retirement Benefit Costs

The Group operates a defined contribution pension scheme and a defined benefit pension scheme for employees. Staff do not make contributions for basic pensions. The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of a qualified actuary, using where appropriate the projected unit method. Variations from the regular cost are allocated over the remaining service lives of current employees.

Contributions to the other post-retirement benefits scheme are assessed in accordance with the advice of a qualified actuary and provision is being made on the basis set out in note 9.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is provided to write off the cost less estimated residual value of fixed assets by equal annual instalments over their estimated useful lives as follows :

Premises and installations	- shorter of the lease term and estimated useful life
Furniture and equipment	- between 2 and 10 years
Computer equipment	- between 1 and 5 years
Motor vehicles	- between 3 and 4 years

Finance Leases and Hire Purchase Contracts

Assets held under finance leases and hire purchase contracts are capitalised and depreciated as described above. Finance charges are allocated to accounting periods using the sum of digits method so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

The net investment in finance leases is included in Loans and advances to customers. The gross earnings over the period of the lease are allocated to give a constant periodic rate of return on the net cash investment.

Deferred Taxation

Deferred taxation is provided using the liability method on timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions and other post-retirement benefits.

2. DIVIDEND INCOME

	1999 £'000	1998 £'000
Income from equity shares	7,204	13,207

3. ADMINISTRATIVE EXPENSES

Group	1999 £'000	1998 £'000
Staff costs		
- wages and salaries	47,175	52,209
- social security costs	6,155	6,495
- other pension costs (note 9)	3,641	3,950
- post-retirement health care (note 9)	234	292
Other administrative expenses	81,860	95,780
	139,065	158,726

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

4. AMOUNTS RELATING TO DISCONTINUED OPERATIONS IN 1998

	Continuing operations £'000	Discontinued Operations £'000	Total 1998 £'000
Net interest income	47,158	16,494	63,652
Operating income	240,798	22,580	263,378
Operating expenses	(212,905)	(14,355)	(227,260)
Operating profit	27,893	8,225	36,118
Provision for loss on discontinued operations	(665)	-	(665)
Profit before tax	27,228	8,225	35,453

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	1999 £'000	1998 £'000
Profit before tax is stated after charging :		
Charges in respect of finance leases and hire purchase contracts	-	2
Interest payable on subordinated loan capital	3,780	4,233
Operating leases - leasehold property	8,476	13,312
- hire of equipment	471	87
Auditors' remuneration - Group audit work	182	258
- Group non-audit work	952	1,556
And after crediting :		
Income from listed investments	7,090	2,297
Profits less Losses on securities dealing	44,997	29,950
Profits less Losses on disposal of investment securities	5,041	-
Profits from disposal of fixed assets	53,760	-
Profits from disposal of subsidiary undertaking	2,485	-
Charge card fee income	36,321	32,283
Aggregate amounts receivable under operating leases	3,111	3,775

6. PROFIT ON DISPOSAL OF FIXED ASSETS

In December 1999, the Group disposed of its existing interest in 33 Canada Square, Canary Wharf resulting in a profit of £49,329,000, and subsequently entered into a lease agreement for the property.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge to taxation comprised :	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998 : 31%)		
- Current	29,912	19,368
- Deferred	(7,384)	(3,965)
- Deferred rate change adjustment	393	-
Double tax relief	(8,565)	(9,340)
Overseas current taxation	12,598	12,411
Overseas deferred taxation	2,006	-
Under/ (over) provision in respect of prior years		
- Current	(3,336)	(3,412)
- Deferred	(211)	(22)
	25,413	15,040

The effective tax rate in 1999 was 30.6% (1998 : 42.9%)

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

8. EMOLUMENTS OF DIRECTORS

	1999 £	1998 £
Aggregate emoluments	95,905	604,740
Sums paid to third parties for Directors' services	-	-
Company pension contributions to money purchase schemes	759	4,172
Compensation in respect of loss of office	-	-
Aggregate sums paid or receivable under long term incentive schemes	-	-
Excess retirement benefits of current or past Directors	-	-

The number of Directors to whom retirement benefits are accruing in respect of qualifying services were :

- Money purchase schemes	1	1
- Defined benefit schemes	3	5

Number of Directors :

- Exercising share options during the year	1	1
- Receiving shares under long-term incentive schemes	-	-

Details of highest paid Director :

Total emoluments	44,780	244,235
Company pension contributions to money purchase schemes	-	-
	44,780	244,235

Defined benefit scheme :

- Accrued pension at year end	15,543	92,125
- Accrued lump sum at year end	56,957	-

Number of shares receivable under long term incentive scheme

-	-
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At 31 December 1999 there were 2 Directors with corporate card balances in excess of £2,500. The total of these balances came to £27,862.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

9. PENSION AND OTHER POST RETIREMENT BENEFIT COSTS

The total pension cost for the Group was £3,641,000 (1998: £3,904,000). £449,000 (1998: £760,000) of the total pension cost relates to overseas schemes which has been determined in accordance with best practice and regulations in the U.K.

The Group participates in the Citibank (UK) Pension Plan ("the scheme"), a funded plan which provides both defined benefit and defined contribution pension benefits. The pension costs and provision are assessed in accordance with an independent qualified actuary's advice and the latest actuarial valuation was as at 1 January 1997.

The latest actuarial valuation of the defined benefit section of the scheme was as at 1 January 1997. The actuarial assumptions adopted at that valuation date were that, as an average over the long term, the investment return would be 9% p.a., the level of salary increases would be 6% p.a., the Retail Price Index would increase at 4% p.a., the level of discretionary pensions increases would be 3% p.a. on pensions accrued before 1 July 1994, 4% p.a. on pensions accrued after that date and the determination of liabilities is based on the projected unit method. The scheme's assets are held in separate trustee administered funds. The market value of the Group's share of the principal scheme's assets was sufficient to cover 110% of the benefits for the members on the above assumptions.

The Group is also a member of a group defined benefit post-retirement scheme from which 459 retired group employees currently benefit and 1,195 current group employees will become eligible. The cost of providing post-retirement health care benefits, which is assessed in accordance with the advice of a qualified actuary, is recognised on a systematic basis over employees' service lives. The accumulated obligation in respect of these benefits relating to existing employees at 1 January 1994 is being charged to the profit and loss account in equal instalments over 20 years. The scheme is unfunded and the latest actuarial valuation was as at 1 January 1997. The principal assumptions of the scheme were an asset return of 8% p.a. and medical expense inflation of 7.5% p.a. in 1997 reducing linearly to 4% by 2005.0

10. ASSETS

The Group	1999 £'000	1998 £'000
Assets and liabilities denominated in foreign currency :		
Denominated in sterling	1,908,301	3,209,748
Denominated in currencies other than sterling	3,469,330	3,135,758
TOTAL ASSETS	<u>5,377,631</u>	<u>6,345,506</u>
Denominated in sterling	1,903,301	3,187,591
Denominated in currencies other than sterling	3,474,330	3,157,915
TOTAL LIABILITIES	<u>5,377,631</u>	<u>6,345,506</u>
Assets leased to customers :		
Tangible fixed assets - operating leases	<u>26,019</u>	<u>21,796</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

11. LOANS AND ADVANCES TO BANKS

	The Group		The Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Repayable on demand	267,371	242,946	107,783	30,900
Other loans and advances				
Remaining maturity :				
- 3 months or less	790,802	1,079,971	-	-
- 1 year or less but over 3 months	192,529	80,999	-	-
- 5 years or less but over 1 year	43,916	42,763	-	-
- over 5 years	-	-	-	-
	<u>1,294,618</u>	<u>1,446,679</u>	<u>107,783</u>	<u>30,900</u>
Due from other Group Companies	<u>919,402</u>	<u>1,257,207</u>	<u>107,783</u>	<u>30,900</u>
Settlement balances with banks	<u>-</u>	<u>1,057</u>	<u>-</u>	<u>-</u>

12. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Remaining maturity :				
- on demand or at short notice	153,047	225,004	-	-
- 3 months or less	449,108	592,378	412	384
- 1 year or less but over 3 months	139,337	281,557	70,000	70,000
- 5 years or less but over 1 year	215,935	118,163	-	-
- over 5 years	488,288	371,654	-	-
General and specific bad and doubtful debt provisions (see note 13)	(83,262)	(90,768)	-	-
	<u>1,362,453</u>	<u>1,497,988</u>	<u>70,412</u>	<u>70,384</u>
Due from other Citicorp/Citibank companies				
- unsubordinated	<u>-</u>	<u>50</u>	<u>70,412</u>	<u>70,384</u>
The following concentration is considered significant :			1999	1998
			£'000	£'000
French residential mortgages			56,926	84,377
Emerging Market commercial loans			146,798	108,773
UK residential mortgages			432,319	466,329
Charge and credit card debtors			206,452	218,485
OECD commercial loans			603,220	710,792
			<u>1,445,715</u>	<u>1,588,756</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

13. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Loans and advances to customers

The Group	Specific £'000	General £'000	1999 Total £'000	Specific £'000	General £'000	1998 Total £'000
At 1 January	85,126	5,642	90,768	90,939	5,616	96,555
Exchange adjustments	(3,322)	(94)	(3,416)	1,689	25	1,714
Charge against profits	3,215	959	4,174	2,363	1,307	3,670
Amounts written off	(12,465)	(251)	(12,716)	(9,955)	(1,388)	(11,343)
Recoveries	3,084	29	3,113	(416)	81	(335)
Other movements	249	1,090	1,339	506	1	507
At 31 December	<u>75,887</u>	<u>7,375</u>	<u>83,262</u>	<u>85,126</u>	<u>5,642</u>	<u>90,768</u>

The Group does not accrue for suspended interest.

14. LOANS SUBJECT TO NON-RECOURSE FINANCING ARRANGEMENTS

Securitised assets

All of the debts subject to the non-recourse financing arrangements relate to residential and business and commercial mortgages. During the year £4,589,000 (1998 : £3,018,000) was recognised in the profit and loss account of the Company, comprising interest receivable of £21,265,000 (1998 : £31,008,000) less interest payable and other expenses of £16,676,000 (1998 : £27,990,000).

The proceeds generated from the mortgage loans are to be utilised in priority to meet the claims of the providers of finance after the payment of the trustees and administrative expenses. The Company holds a call option in relation to the mortgages funded through private placements. The option allows the Company to repurchase the mortgages when the total amount outstanding falls to 10% of the original amount. The Company does not hold any options in relation to the other securitised assets.

The Company is not obliged to support any losses, nor does it intend to do so. Floating rate notes associated with these financing arrangements were issued on the basis that the holders are only entitled to seek repayment of the finance, as to both principal and interest, to the extent that sufficient funds are generated by the mortgages they have financed and that they will not seek recourse from the Company in any form.

Information about the securitisations involved is set out in the table below :

Securitisation Company	Type of Mortgage	Date of Securitisation	At 31 December 1999	
			Customer Loans £'000	Returnable Finance £'000
SONAR 2 plc	Business and commercial	17 October 1995	33,978	658
SONAR 1 plc	Business and commercial	12 December 1994	52,691	1,302
STARS 1 plc	Residential	10 December 1990	81,651	491
Private placements	Residential	1987 - 1989	35,043	30,000
		Total	<u>203,363</u>	<u>32,451</u>

All the shares issued by STARS 1 plc, SONAR 1 plc and SONAR 2 plc ("securitised undertakings") are owned by Superior Tradeable Residential Securities Limited. The Company does not own, directly or indirectly, any of the share capital of the securitised undertakings or their parent companies.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

15. OTHER DEBT SECURITIES

The Group

	1999 £'000 Book and Market Value	1998 £'000 Book and Market Value
Issued by public bodies :		
- government securities	1,153,083	805,278
- other public sector securities	2,301	3,396
	<u>1,155,384</u>	<u>808,674</u>
Issued by other issuers :		
- other securities	187,970	119,859
	<u>187,970</u>	<u>119,859</u>
	<u>1,343,354</u>	<u>928,533</u>
Due within one year	299,345	107,930
Due one year and over	1,044,009	820,603
	<u>1,343,354</u>	<u>928,533</u>
Other debt securities		
- listed	1,155,384	880,674
- unlisted	187,970	48,205
	<u>1,343,354</u>	<u>928,533</u>

The cost of securities carried at market value is not disclosed, as it cannot be determined without unreasonable expense.

16. EQUITY SECURITIES

	The Group	
	1999 Book and Market Value £'000	1998 Book and Market Value £'000
Investment securities		
- listed	49	-
- unlisted	3,868	3,684
	<u>3,917</u>	<u>3,684</u>
Other equity securities		
- listed	78,410	236,899
	<u>78,410</u>	<u>236,899</u>
Total equity securities	<u>82,327</u>	<u>240,583</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

16. EQUITY SECURITIES (Continued)

	The Company	
	1999	1998
	Book and	Book and
	Market Value	Market Value
	£'000	£'000
Investment securities		
- unlisted	2,268	2,012
	<u>2,268</u>	<u>2,012</u>

The cost of securities carried at market value is not disclosed, as it cannot be determined without unreasonable expense.

17. INVESTMENTS IN GROUP UNDERTAKINGS

The Company's investments in the share capital of subsidiary undertakings comprised :

	1999	1998
	£'000	£'000
As at 1 January 1999	653,410	666,647
Acquisitions	25,470	-
Disposal	(8,558)	-
Dividends received	-	(24,500)
Foreign Exchange	(614)	(896)
Revaluation	37,455	12,159
As at 31 December 1999	<u>707,163</u>	<u>653,410</u>

The historical cost of investments carried at market value is not disclosed, as it cannot be determined without unreasonable expense.

The principal subsidiary undertakings of the Company are :

	Nature of Business
CIB Properties Limited	Group services company
Citibank International plc	International corporate investment and consumer banking
Citicorp Trustee Company Limited	Trustee for unit and investment trusts
Citiloans plc	Loan provider to Greek residents

All of the above subsidiary undertakings are wholly owned and are incorporated in Great Britain with their respective registered offices in England and Wales. The dividends received have been netted off against the carrying value.

All the above subsidiary undertakings are included in the consolidated accounts and have accounting reference dates of 31 December.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

18. PARTICIPATING INTERESTS

The Group	1999 £'000	1998 £'000
Unlisted	3,341	3,711
	Cost £'000	Cost £'000
At 1 January 1999	3,711	6,189
Acquisitions	1,234	28
Disposals	(212)	(2,589)
Reclassification of GIE PCC	(1,442)	-
Exchange adjustments	50	83
At 31 December 1999	3,341	3,711

The Group has participating interests in the following entities:

	1999 £'000	1998 £'000	Country of Residence	Percentage Holding
EBS Partnership	2,010	1,957	Great Britain	6.19 %
FXNET Limited	21	21	Great Britain	9.68%
BVP Pensionkassen AG	-	212	Austria	0% (1998 :4 %)
SNC CitiGestion	1	1	France	1 %
GIE PCC	-	1,442	France	5 %
Buffetti S.p.A.	-	28	Italy	19.52%
Other	1,309	50	France	Various
	<u>3,341</u>	<u>3,711</u>		

During the year, the Group acquired another 45% in GIE PCC, the French participating interest. The other 50% is held by a parent company. The holding is now treated as a joint arrangement that is not an entity following the Group's increase in ownership percentage to 50%.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

19. FIXED ASSETS

The Group	Freehold Land & Buildings £'000	Short-term Leasehold Property £'000	Leasehold Improvements £'000	Furniture & Equipment £'000	Leased or Hire Purchase Assets £'000	Long Leasehold Property £'000	Total £'000
Cost							
1 January 1999	32,836	14,875	82,470	162,017	26,815	11,953	330,966
Additions	273	246	9,652	33,011	5,797	16	48,995
Transfers in	644	-	62	656	-	-	1,362
Assets written off	-	110	(23,237)	(3,493)	-	-	(26,620)
Disposals	(98)	(5,246)	(3,353)	(24,035)	(13)	-	(32,745)
Exchange adjustments	(41)	-	(542)	(1,254)	723	(9)	(1,123)
31 December 1999	<u>33,614</u>	<u>9,985</u>	<u>65,052</u>	<u>166,902</u>	<u>33,322</u>	<u>11,960</u>	<u>320,835</u>
Depreciation							
1 January 1999	6,788	10,195	30,471	94,538	5,010	2,092	149,094
Assets written off	-	(7)	(31)	(3,461)	-	-	(3,499)
Transfers in	201	-	433	594	-	-	1,228
Charged in year	661	1,334	13,123	35,891	2,173	190	53,372
Disposals	(40)	(5,246)	(3,078)	(21,385)	(2)	-	(29,751)
Exchange adjustments	(3)	-	(199)	(1,173)	122	(4)	(1,257)
31 December 1999	<u>7,607</u>	<u>6,276</u>	<u>40,719</u>	<u>105,004</u>	<u>7,303</u>	<u>2,278</u>	<u>169,187</u>
Net Book Value							
31 December 1999	<u>26,007</u>	<u>3,709</u>	<u>24,333</u>	<u>61,898</u>	<u>26,019</u>	<u>9,682</u>	<u>151,648</u>
31 December 1998	<u>26,048</u>	<u>4,680</u>	<u>51,999</u>	<u>67,479</u>	<u>21,805</u>	<u>9,861</u>	<u>181,872</u>

The net book value of Freehold Land not subject to depreciation is £5,911,000 (1998: £5,911,000).

The Group occupies substantially all the land and buildings for its own activities.

20. OTHER ASSETS

	The Group		The Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Foreign exchange and interest rate contracts	188,408	557,890	-	-
Equity contracts	703,361	1,255,000	-	-
Counterparty receivables on sale of securities	-	1,034	-	-
Taxation recoverable	11,974	6,165	6,486	-
ACT recoverable	-	6,125	-	-
Trade debtors	-	180	-	-
Amounts owed by subsidiary undertakings	-	-	-	15,010
Other balances	104,666	112,590	4,121	-
	<u>1,008,409</u>	<u>1,938,984</u>	<u>10,607</u>	<u>15,010</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

21. DEPOSITS BY BANKS

	The Group		The Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Repayable on demand	82,062	370,249	-	-
With agreed maturity dates or periods of notice, by Remaining maturity :				
- 3 months or less but not repayable on demand	2,056,823	1,310,302	-	-
- 1 year or less but over 3 months	254,416	866,653	-	-
- 5 years or less but over 1 year	87,469	64,732	-	-
- over 5 years	-	-	-	-
	<u>2,480,770</u>	<u>2,611,936</u>	<u>-</u>	<u>-</u>
Due to other Group companies				
- unsubordinated	<u>2,377,394</u>	<u>2,388,246</u>	<u>-</u>	<u>-</u>

22. CUSTOMER ACCOUNTS

	The Group		The Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Repayable on demand	174,336	187,455	-	-
With agreed maturity dates or periods of notice, by Remaining maturity :				
- 3 months or less but not repayable on demand	304,185	238,474	-	-
- 1 year or less but over 3 months	95,684	78,240	-	-
- 5 years or less but over 1 year	204,847	173,080	-	-
- over 5 years	-	-	-	-
	<u>779,052</u>	<u>677,249</u>	<u>-</u>	<u>-</u>
Due to fellow subsidiary companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due to other Group companies	<u>4,243</u>	<u>8,560</u>	<u>-</u>	<u>-</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

23. DEBT SECURITIES IN ISSUE

	The Group	
	1999	1998
	£'000	£'000
Bonds and medium term notes	-	-
Other debt securities in issue, by remaining maturity :		
- 3 months or less	-	-
- 1 year or less but over 3 months	20,000	20,000
- 5 years or less but over 1 year	10,000	10,000
	<u>30,000</u>	<u>30,000</u>

Amounts include :

Due to other Citicorp/Citibank companies

-	-
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24. OTHER LIABILITIES

	The Group		The Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Debt securities – non-government securities	7	3	-	-
Equity shares	751,725	56,253	-	-
Foreign exchange and interest rate contracts	180,814	1,877,833	-	-
Counterparty payables on purchase of securities	372	2,240	-	-
Trade creditors of charge card business	55,432	55,896	-	-
ACT payable	-	6,125	-	-
Taxation - due within one year	41,625	23,264	-	2,032
Finance lease obligations (note 33)	-	25,972	-	-
Dividends payable	-	24,500	-	24,500
Other balances	69,938	68,613	89,785	17,790
	<u>1,099,913</u>	<u>2,140,699</u>	<u>89,785</u>	<u>44,322</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

25. DEFERRED TAXATION

	The Group	
	1999 £'000	1998 £'000
The deferred tax liabilities have been recognised in full as follows :		
Capital allowances	(9,975)	(1,808)
Short-term timing differences	(4,186)	(7,170)
	<u>(14,161)</u>	<u>(8,978)</u>
At 1 January	(8,978)	(4,995)
Arising during the year	(5,209)	(3,987)
Exchange adjustments	26	4
At 31 December	<u>(14,161)</u>	<u>(8,978)</u>

26. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Pension Obligations and other post-retirement Benefit commitments £'000	Provision for Contingent liabilities and Commitments £'000	Restructuring Reserve £'000	Other £'000	Provision For loss on Discontinued Operations £'000	Total £'000
At 1 January 1999	2,827	6,054	16,667	3,356	3,301	32,205
Exchange adjustments	(255)	-	(39)	(36)	(374)	(704)
Charge/(release) to profits	(330)	1,051	6,578	(1,129)	(327)	5,843
Other movements	-	-	(2,295)	-	-	(2,295)
Acquired with new subs	-	-	-	(1,391)	-	(1,391)
Provisions utilised	-	(2,714)	(3,915)	(556)	-	(7,185)
At 31 December 1999	<u>2,242</u>	<u>4,391</u>	<u>16,996</u>	<u>244</u>	<u>2,600</u>	<u>26,473</u>
The Company						
		Provision for Contingent liabilities and Commitments £'000				Total £'000
At 1 January 1999		1,735				1,735
Released to profits		(1,000)				(1,000)
Charge to profits		61				61
Provisions utilised		(35)				(35)
At 31 December 1999		<u>761</u>				<u>761</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

27. SUBORDINATED LIABILITIES

	1999 £'000	1998 £'000
Term loan capital from Parent company	61,854	60,230
Subordinated loan from Parent company	-	10,000
Total outstanding at 31 December	<u>61,854</u>	<u>70,230</u>

Citibank, N.A. has made available a term subordinated facility in the form of dated floating rate notes up to a maximum aggregate amount of US \$100,000,000. The notes, which have a maturity of 31 December 2034 and are fully subordinated to the rights and claims of other creditors of the Company, bear interest at one percent below the London InterBank Offered Rate. Dated subordinated floating rate notes issued under this facility may not be redeemed without prior consultation with the Bank of England (now the Financial Services Authority). At 31 December 1999 US \$100,000,000 (£61,854,000) (1998: £60,230,000) of this facility had been drawn.

During the year, the Company repaid at maturity the £10,000,000 subordinated loan from Citibank, N.A.

28. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Sterling Ordinary shares of £1 each Authorised :		
500,000,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Subsequent to the year end the authorised share capital of the Company was increased to £1,600,000,000. Firstly, by the creation of 500,000 Ordinary shares of £1 each ranking pari passu in all respects with the existing Ordinary shares, and secondly by the creation of £600,000,000 6.5% Fixed Rate Cumulative Redeemable Preference shares of £1 each.

	1999 £'000	1998 £'000
Sterling Ordinary shares of £1 each Issued, called up and fully paid :		
As at 1 January	459,015	459,015
24,648,078 shares issued at par during the year	24,648	-
As at 31 December	<u>483,663</u>	<u>459,015</u>

During the year, the Company issued ordinary share capital to its parent company, Citicorp Overseas Investments Limited, to fund the purchase of the share capital it acquired in the companies it purchased in the year. Details of both allotments are given in the table overleaf.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

28. CALLED UP SHARE CAPITAL (continued)

Ordinary shares of £1 issued at par during the year:

Name of company acquired by issue of share capital :	Date issued	Number
Citibank S.A.	23 February 1999	22,947,943
Diners Club de France S.A.	25 August 1999	1,700,135
		<u>24,648,078</u>

Subsequent to the year end the Directors issued and allotted an aggregate of 42,581,081 of the newly created 6.5% Fixed Rate Cumulative Redeemable shares at their par value of £1, to Citibank Overseas Investment Corporation. This was used to acquire 99.2% of Citico – Gestora de Participações Sociais, Lda together with a further capital injection.

Furthermore, the Directors issued and allotted an aggregate of 23,802,624 Ordinary shares of £1 each, at their par value, to Citibank Overseas Investment Corporation in consideration for the acquisition of 23,802,624 Sterling Ordinary shares of £1 each of the issued share capital of Citibank International plc.

29. RESERVES

The Group	Profit and loss Account £'000	Capital Contribution Reserve £'000	Total £'000
At 1 January 1999	267,208	566	267,774
Profit for the year	57,593	-	57,593
Currency translation differences	(131)	-	(131)
At 31 December 1999	<u>324,670</u>	<u>566</u>	<u>325,236</u>

The Company	Profit and loss Account £'000	Capital Contribution Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 January 1999	174,025	566	93,183	267,774
Retained profit for the year	20,631	-		20,631
Revaluation of subsidiary undertakings	-	-	37,314	37,314
Currency translation differences	(483)	-		(483)
At 31 December 1999	<u>194,173</u>	<u>566</u>	<u>130,497</u>	<u>325,236</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS

Objectives, policies and strategies

Financial instruments are fundamental to the Company's business and constitute the core elements of its operation. The risks associated with financial instruments are a significant component of the risk faced by the Company. Financial instruments create, modify or reduce the liquidity, credit and market risk of the Company's balance sheet.

The purpose for which the Company holds or issues financial instruments can be classified into five main categories:

- **Customer loans and deposits:** Customer loans and deposits (both retail and institutional) form a large part of the Company's business. The Company has detailed policies and strategies in respect of its customer loans and deposits which seek to minimise the risks associated with these financial instruments.
- **Investment securities (equity shares and debt securities):** The Company holds securities, excluding strategic investments, for use on a continuing basis in the Company's activities. The objective of holding such financial instruments is to generate funds over the term of the investment, in the form of distributions and/or appreciation in value. Funds generated are used in the Company's operations.
- **Finance (money market loans and deposits, loan capital, debt securities in issue):** The Company issues financial instruments to fund that portion of the Company's assets not funded by customer deposits. The objective of using financial instruments for financing purpose is to manage the Company's balance sheet in terms of minimising market risk. Responsibility for overseeing and implementing balance sheet management lies with the Company's Treasury department.
- **Hedging (loans and deposits):** Where financial instruments form part of the Company's interest rate management strategy they are classified as hedges. The objective for holding financial instruments as hedges is to match or eliminate the risk arising because of adverse movements in interest rates, exchange rates or equity prices. Cash products are the main instruments used for economically hedging the balance sheet.
- **Trading (equity warrants, European commercial paper, foreign exchange, debt derivatives).** The Company trades in financial instruments for its own account and to facilitate customer transactions. As a market maker in these products we facilitate a two way flow. Trading activity is restricted to certain areas in the Company and is subject to strict policies and limits. Responsibility for setting trading policies and monitoring adherence thereto lies with Company Risk Management.

Derivative financial instruments

In the normal course of business, the Company enters into a variety of derivative transactions principally in the equity, interest rate and foreign exchange markets. They are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives may also be used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including lending and securities investment. The majority of the counterparties in the Company's derivative transactions are banks and other financial institutions. The risks involved in derivatives include market, credit and liquidity risk.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Derivative financial instruments (continued)

The principal types of derivative contracts into which the Company enters are described below.

- **Swaps:** These are over-the-counter ("OTC") agreements between two parties to exchange periodic payments of interest, or payments for the change in value of currencies, or related indices, over a set period based on notional principal amounts. The Company enters into swap transactions in several markets. Interest rate swaps exchange fixed rates for floating rates of interest based on notional amounts. Basic swaps exchange floating or fixed interest calculated using different bases. Cross currency swaps are the exchange of interest based on notional values of different currencies.
- **Options:** Currency, equity and interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specified price at or before a specified date. Options may be exchange traded or OTC agreements. The Company principally buys and sells currency, equity and interest rate options to manage the risks associated with the warrants business.
- **Futures and forwards:** Short term interest rate futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on the specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the Company in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

All of the interest rate and customer generated foreign exchange derivative transactions have the associated risks transferred to other Citigroup entities. As previously noted in the Directors report, the remaining equity risks associated with the equity derivative business have been transferred to other Citigroup entities.

The following table analyses, by maturity and contract type, the notional principal amounts of the Company's derivatives held for trading purposes:

Maturity (original tenor)	1 year or less	1-5 years	Over 5 years	Total 1999	Total 1998
	£'m	£'m	£'m	£'m	£'m
Exchange Rate Contracts					
Forwards and futures	2,269	549	69	2,887	3,410
Currency Swaps	-	35	-	35	2,702
Options	337	-	-	337	230
Total Exchange Contracts	<u>2,606</u>	<u>584</u>	<u>69</u>	<u>3,259</u>	<u>6,342</u>
Interest Rate Contracts					
Interest rate Swaps	-	1,160	2,127	3,287	8,148
Interest rate Options	193	787	761	1,741	5,287
Total interest Rate Contracts	<u>193</u>	<u>1,947</u>	<u>2,888</u>	<u>5,028</u>	<u>13,435</u>
Equity Derivative Contracts					
Warrants	552	-	-	552	-
Options	3,259	2,652	637	6,548	15,591
Total Equity Derivative Contracts	<u>3,811</u>	<u>2,652</u>	<u>637</u>	<u>7,100</u>	<u>15,591</u>
Total at 31st December	<u>6,610</u>	<u>5,183</u>	<u>3,594</u>	<u>15,387</u>	<u>35,368</u>

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

The following table discloses fair values of derivatives held for trading purposes.

	1999			1998		
	Notional principal amount £'m	Fair values		Notional principal amount £'m	Fair values	
		Asset £'m	Liability £'m		Asset £'m	Liability £'m
Exchange rate related contracts						
Forwards and futures	2,887	62	49	3,410	85	90
Currency swaps	35	2	2	2,702	105	99
Options	337	3	3	230	6	6
	<u>3,259</u>	<u>67</u>	<u>54</u>	<u>6,342</u>	<u>196</u>	<u>195</u>
Interest rate related contracts						
Interest rate swaps	3,287	121	121	11,405	305	298
Options	1,741	20	20	1,910	83	64
Futures and forwards	-	-	-	120	1	1
	<u>5,028</u>	<u>141</u>	<u>141</u>	<u>13,435</u>	<u>389</u>	<u>363</u>
Equity and commodity related contracts						
Warrants	552	254	12	-	-	-
Options	6,548	768	1,064	15,591	1,574	1,666
	<u>7,100</u>	<u>1,022</u>	<u>1,076</u>	<u>15,591</u>	<u>1,574</u>	<u>1,666</u>
Effect of netting		(338)	(338)		(346)	(346)
		<u>892</u>	<u>933</u>		<u>1,813</u>	<u>1,878</u>

Generally, the Company's policy is to take little or no risk in exchange rate or interest rate contracts. Market price risk for equity warrants is managed by an extensive limit structure as described below. The business will, from time to time, take market positions within limits, however the principal business activities are marketing equity warrants to customers and the creation of warrants for sale to customers.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Risk Management

Risk management is the cornerstone of the Company's business. Risks arise from lending, trading and other activities routinely undertaken. The following sections summarise the processes that were in place during 1999 for managing the Company's major risks.

Market Risk

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business of a global financial intermediary. Liquidity risk is the risk that the Company may be unable to meet a financial commitment to a customer, creditor, or investor when due. Price risk is the risk to earnings that arises from changes in interest rates, foreign exchange rates, equity and commodity prices, and in their implied volatilities.

The Company and its affiliate's business and corporate oversight groups have well-defined market risk management responsibilities. Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market controls, policies and procedures, appropriate senior management risk oversight with thorough risk analysis and reporting, and independent risk management with capabilities to evaluate and monitor risk limits. Management of this process begins with the professionals nearest to the Company's customers, products, and markets, and extends up to the senior executives who manage these businesses and to the country level. Market risk management is an evolutionary process that integrates changes in markets, products, and technologies into policies and practices. Periodic reviews are conducted by Audit Risk and Review to ensure compliance with institutional policies and procedures for the assessment, management, and control of market risk.

Price risk is measured using various tools, including Earnings-at-Risk (EAR) and sensitivity analysis, which are applied to interest rate risk in the non-trading portfolios and Value-at-Risk (VAR), stress and scenario analysis which are applied to the trading portfolios.

Primary risk taking activities are issuing and hedging equity warrants, which is based in Milan, as well as Euro Commercial Paper (ECP) positioning and hedging. Price risk also arises from residual treasury interest rate and forex hedging activity.

Trading Price Risk

Citibank International plc's principal trading price risks generated by the warrants and ECP business are governed by a comprehensive set of factor sensitivity limits, stress test and Value at Risk ("VaR") controls. The following table summarises trading price risk by disclosing the Company's highest, lowest and average exposure of its trading book to VaR during the reporting period, together with the exposure as at 31 December 1999:

During the year 1999 :	Equity Warrants	ECP
	£'000	£'000
Highest	2,801	123
Lowest	672	7
Average	1,328	50
As at 31 December 1999	2,697	11
Limit	2,786	155

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Price risk is primarily generated from external issuance of exchange listed Italian equity warrants. These specific market risks are governed by an extensive limit structure inclusive of factor sensitivity limits relating to volatility (vega), underlying market movement (delta), change in market level (gamma), interest rates and tenor. The overall portfolio, key underlying index or industry sectors and single stock exposures are systematically stressed for movements in both volatility and market levels, and a stress trigger for Senior Management review is applied to the overall portfolio. Additionally a Value at Risk ("VaR") limit is also applied specifically to the portfolio. During the year, the Warrant business broke its limit on a limited number of days due to high market volatility, but only by immaterial amounts. Limits are closely monitored by Risk Management and Senior Business Managers. Market Risk as measured by VaR in European Commercial Paper is relatively small and has been maintained within its limits during the year.

Dealing profits are comprised of the following :

	1999 £'000	1998 £'000
Equity Warrants	37,102	29,782
Equity Derivatives	(12,830)	(9,551)
Treasury (Mark-to-Market on Held for Sale Bonds)	(12,300)	(2,458)
Foreign Exchange	6,285	9,107
European Commercial Paper	2,813	2,939
Fixed Income and Bond Options	-	8,385
Other	4,983	(1,355)
	<u>26,053</u>	<u>36,849</u>

Non-Trading Price Risk

Price risk in the non-trading portfolios which are mainly interest rate risk and currency risk is measured using Earnings-at-Risk and factor sensitivity limits.

Earnings-at-Risk measures the discounted pretax earnings impact over a specified time horizon of a specified shift in the interest rate yield curve for the appropriate currency. The yield curve shift is statistically derived as a two standard deviation change in a short-term interest rate over the period required to defease the position (usually four weeks). Earnings-at-Risk is calculated separately for each currency and reflects the repricing gaps in the position, as well as option positions, both explicit and embedded. As part of the annual planning process, limits are set for Earnings-at-Risk for the Consumer segment and monitored by Price Risk Management. Factor sensitivity limits are set for the UK country and business activity, of which the Company is a part. These limits are monitored by Price Risk Management

The following table shows the contractual re-pricing terms for each category of non-trading asset and liability, together with management's estimate of the interest rate sensitivity gap for the Company as at 31 December 1999. Loans and advances to customers are shown on a gross basis before provisions for bad debts. Contractual re-pricing terms are shown according to management's expectations. Positions may not be reflective of those in subsequent periods. Major changes in position can be made promptly as market outlooks change. In addition significant variations in interest rate sensitivity may exist within the re-pricing periods presented and among the currencies in which the Company has interest rate positions.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Repricing Mismatches of Financial Assets and Liabilities

	3m or less £'m	3m-6m £'m	6m-1y £'m	1y-5y £'m	>5y £'m	Non- Interest Bearing £'m	Total £'m
Assets							
Cash & balances at central banks	36	-	-	-	-	-	36
Loans and advances to banks	1,058	193	-	44	-	-	1,295
Loans and advances to customers	1,121	291	9	2	23	-	1,446
Other Loans	32	-	-	-	-	-	32
Debt Securities & Treasury Bills	-	107	113	1,123	-	-	1,343
Total Assets	2,247	591	122	1,169	23	-	4,152
Non-interest earning assets	-	-	-	-	-	294	294
Total non-trading assets	2,247	591	122	1,169	23	294	4,446
Liabilities							
Deposits by banks	1,221	17	1,209	64	-	-	2,511
Customer Deposits	671	106	-	2	-	-	779
Subordinated Liabilities	62	-	-	-	-	-	62
	1,954	123	1,209	66	-	-	3,352
Interest free liabilities	-	-	-	-	-	237	237
Shareholder equity	-	-	-	-	-	809	809
Total non-trading liabilities	1,954	123	1,209	66	-	1,046	4,398
Net Position							
Interest Rate Sensitive Gap	293	468	(1,087)	1,103	23	(752)	
Cumulative Interest Rate Sensitivity Gap	293	761	(326)	777	800	48	
Cumulative Interest Rate Sensitivity Gap %	7.1	18.3	(7.9)	18.7	19.3	1.2	

The Consumer Banking segment utilises interest rate derivatives to manage interest rate exposures, however not to a great extent.

Non-trading currency risk exposure arises principally out of the Companies investments in overseas activities, principally in Europe. The Company's structural currency exposures as at 31 December 1999 were as follows:

Functional Currency of Operations

Net Investments in Overseas Operations

	£'m
Euro	28.7
Total	28.7

Transactional Currency Exposures of the Non-Trading Book

Functional Currency of the operation at 31 December 1999

	GBP	USD	Euro	Others	Total
GBP	n/a	(2.0)	(2.2)	(2.3)	(6.5)
USD	-	n/a	-	-	-
Euro	(0.6)	(1.7)	n/a	-	(2.3)
Others	0.6	0.1	(0.7)	0.2	0.2
Total	-	(3.6)	(2.9)	(2.1)	(8.6)

Transactional currency exposures occur as a result of normal operations and/or cross-border interbranch transactions.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Management of liquidity is the responsibility of the Company Treasurer. The Chief Executive Officer and the Treasurer ensure that all funding obligations are met when due.

The forum for liquidity issues is the Asset/Liability Management Committee (ALCO), which includes senior executives within the Company. The ALCO reviews the current and prospective funding requirements for the Company, as well as the capital position and balance sheet.

A liquidity plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily. Measurement of liquidity risk is done by determining the maximum cumulative outflow (MCO) by cashflow maturity at a point in time.

In the UK, the FSA requires that the Company should be able to meet its sterling obligations without recourse to the wholesale money market for a period of at least five business days. The Company also maintains a similar policy for its currency obligations in the UK. Quarterly reports are made to the FSA for both sterling and other currency liquidity. Branches of the Company operate similar policies in compliance with their local regulatory requirements. In order to meet these requirements, the Company measures and manages its cashflow commitments on a daily basis, and maintains a diversified portfolio of high quality liquid and marketable assets

Credit Risk

Within the Company, line management conducts the day-to-day credit process in accordance with core policies established by the Credit Policy Committee of Citigroup Inc which are guided by the overall risk appetite and portfolio targets set by senior management. Line management initiates and approves all extensions of credit and is responsible for credit quality. The managers are required to identify problem credits or programs as they develop, and to correct deficiencies as needed through remedial management. Audit and Risk Review conducts independent periodic examinations of both portfolio quality and the credit process at the individual business level.

Citigroup's credit policies are organised around two basic approaches-Credit Programs and Credit Transactions.

Credit Programs, used primarily for the Consumer businesses, focus on the decision to extend credit to sets of customers with similar characteristics and/or product needs. Approvals under this approach cover the expected level of aggregate exposure, the terms, risk acceptance criteria, operating systems, and reporting mechanisms. This is a cost-effective way of handling high-volume, small-dollar amount transactions. Credit Programs are reviewed annually, with approvals tiered on the basis of projected outstandings as well as the maturity and performance of the product.

Citigroup's Credit Transaction approach focuses on the decision to extend credit to an individual customer or customer relationship. It starts with target market definition and risk acceptance criteria, and requires detailed customised financial analysis. Approval requirements for each decision are tiered based on the transaction amount, the customer's aggregate facilities, credit risk ratings, and the banking business serving the customer.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

Credit Programs and Credit Transactions are approved by three line credit officers, with one designated as responsible to ensure that all aspects of the credit process are properly co-ordinated and executed. As the size or risk increases, the three approvals may include one or two Senior Credit or Securities Officers. These include over 500 of Citigroup's most experienced lenders and underwriters appointed by the Credit Policy Committee, with their designation reviewed annually. In addition, approvals from underwriting, product, industry, or functional specialists may be required. At certain higher levels of risk, Credit Policy Committee members as well as senior management review individual credit decisions.

Credit exposure on derivative and foreign exchange instruments is managed as part of the overall extension of credit to individual customer relationships, subject to the same credit approvals, limits, and monitoring procedures used for other activities. The extension of credit in a derivative or foreign exchange contract is the loss that could result if the counterparty were to default. The current replacement cost of a derivative or foreign exchange contract is equal to the amount, if any, of the Company's unrealised gain on the contract.

Operational Risk

Operational risk arises from the potential for inadequate systems (including systems breakdown), errors, poor management, breaches in internal controls, fraud and external events which can result in financial loss or reputational damage. The Companies Company's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

Hedges

Hedge gains or losses are not recognised or are deferred in the balance sheet to the extent necessary to achieve a common timing of recognition with the transaction being hedged. The Consumer Banking Segment utilises interest rate swaps to hedge its interest rates, however the amounts are not significant.

Fair Value Information

For the trading book and derivatives held in the non-trading book, fair value is equal to the carrying values on the balance sheet. Fair values of publicly traded securities are disclosed in notes 13 and 14. Financial instruments (interbank placements and deposits) in the non-trading book that have a liquid or active market are carried at fair value.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

31. CONTINGENT LIABILITIES AND COMMITMENTS

The tables below give the nominal principal amounts and risk weighted amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

The Group	1999 Contract Amount £'000	1999 Risk Weighted Amount £'000	1998 Contract Amount £'000	1998 Risk Weighted Amount £'000
CONTINGENT LIABILITIES				
Guarantees and assets pledged as collateral				
- guarantees and irrevocable letters of credit	53,689	53,689	73,659	73,659
	<u>53,689</u>	<u>53,689</u>	<u>73,659</u>	<u>73,659</u>
COMMITMENTS				
Other commitments				
- documentary credits and short term trade related transactions.	695,818	695,818	696,596	696,596
- undrawn formal standby facilities, credit lines and other commitments to lend :				
- 1 year and over	2,173	2,173	259,945	257,526
- less than 1 year	613,123	-	137,382	-
	<u>1,311,114</u>	<u>697,991</u>	<u>1,093,923</u>	<u>954,122</u>

32. EMPLOYEE INFORMATION

	1999	1998
The average number of persons employed by the Group during the Year was as follows :		
Managers	730	796
Clerical staff	359	551
Others	22	43
Total	<u>1,111</u>	<u>1,390</u>

The total remuneration (including bonuses) was £59,537,000 (1998: £62,946,000).

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

33. HIRE PURCHASE, FINANCE AND OPERATING LEASE COMMITMENTS

	1999 £'000	1998 £'000
At the year end, the maturity of obligations under finance leases and hire purchase contracts was as follows :		
Expiring :		
- within one year	-	27,531
- between one and five years	-	-
Less : future finance charges	-	(1,559)
Total	<u>-</u>	<u>25,972</u>

	Land and Buildings 1999 £'000	Other 1999 £'000	Total 1999 £'000
At the year end, the maturity of obligations under Operating leases was as follows :			
Expiring :			
- within one year	688	5	693
- between one and five years	3,023	11	3,034
- in five years or more	4,637	-	4,637
Total	<u>8,348</u>	<u>16</u>	<u>8,364</u>

Other Commitments

In December 1999 a subsidiary of the Company signed a lease for 560,000 square feet (net) office building at Canary Wharf, which will become the main office location for the UK Group in the year 2000.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

34. SEGMENTAL ANALYSIS

(i) Classes of businesses

1999	Corporate & Investment Banking £'000	Consumer Banking £'000	Asset Management Business £'000	Total £'000
Net interest receivable/(payable)	32,976	19,194	22	52,192
Total other income	122,231	51,290	18,115	191,636
Total expenses	(57,789)	(83,656)	(9,360)	(150,805)
Profit/(Loss) before provisions and tax	97,418	(13,172)	8,777	93,023
Provisions	1,708	(11,725)	0	(10,017)
Profit/(Loss) before tax	99,126	(24,897)	8,777	83,006
Total assets, including intersegment balances	4,347,384	1,021,990	8,257	5,377,631
1998	Corporate & Investment Banking £'000	Consumer Banking £'000	Asset Management Business £'000	Total £'000
Net interest receivable	49,554	14,098	0	63,652
Total other income	139,691	49,242	14,624	203,557
Total expenses	(124,334)	(77,296)	(6,189)	(207,819)
Profit/(Loss) before provisions and tax	64,911	(13,956)	8,435	59,390
Provisions	(22,877)	(1,060)	0	(23,937)
Profit/(Loss) before tax	42,034	(15,016)	8,435	35,453
Total assets, including intersegment balances	5,509,462	827,787	8,257	6,345,506

During the year, the Company has changed the categories disclosed above, as this is more in line with the categories used for disclosure by the ultimate parent company, Citigroup Inc.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

34. SEGMENTAL ANALYSIS (continued)

(ii) Geographical segments

1999

	UK £'000	Europe £'000	Total £'000
Net interest receivable/(payable)	48,515	3,677	52,192
Dividend income	3,970	3,234	7,204
Fees and commissions receivable	71,535	11,885	83,420
Dealing profits	(16,927)	42,980	26,053
Other operating income	57,553	17,406	74,959
Total expenses	(83,568)	(67,237)	(150,805)
Profit/(Loss) before provisions and tax	81,078	11,945	93,023
Provisions	(9,376)	(641)	(10,017)
Profit/(Loss) before tax	71,702	11,304	83,006
Total assets	4,300,129	1,077,502	5,377,631

1998

	UK £'000	Europe £'000	Total £'000
Net interest receivable/(payable)	53,017	10,635	63,652
Dividend income	5,806	7,401	13,207
Fees and commissions receivable	80,997	(1,029)	79,968
Dealing profits	(1,785)	42,804	41,019
Other operating income	66,508	2,855	69,363
Total expenses	(169,529)	(38,290)	(207,819)
Profit/(Loss) before provisions and tax	35,014	24,376	59,390
Provisions	(22,092)	(1,845)	(23,937)
Profit/(Loss) before tax	12,922	22,531	35,453
Total assets	5,424,168	921,338	6,345,506

Total assets are disclosed as they are considered to be more meaningful than the segmental analyses of net assets required under Statement of Standard Accounting Practice No. 25 'Segmental reporting'. In banking, liabilities, which mainly constitute the source of funds, are generally substitutable in nature and some subjective allocations are necessary to provide segmental information on net assets.

The Company has not disclosed turnover in the segmental analysis as it is not a statutory requirement.

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

35. POST BALANCE SHEET EVENTS

Since the year, the Company has made the following new or additional investments,

In January 2000 the Company acquired 3,980,000 shares of ITL1,000 each representing approximately 19.90 per cent of, the issued share capital or equivalent of Unipol SIM S.p.A., a company incorporated in the Republic of Italy, for an aggregate cash consideration of ITL3,980,000,000 (equivalent £1,434,751);

In January 2000 the Company acquired 200 'B' Ordinary shares of £1.00 each representing approximately 2.00 per cent of the then entire issued share capital of Zammatt Limited, a company incorporated in Great Britain, for an aggregate cash consideration of £112,000;

In March 2000 the Company acquired an aggregate of 32,250,000 Class 'A' shares of 10 pence each in the issued share capital of Volbroker.com Limited, a company incorporated in Great Britain, for an aggregate cash consideration of £3,225,000;

In April 2000 the Company acquired, from its fellow group company International Finance Associates, BV, two equity participations of PTE20,000 each, representing 0.80 per cent of the entire issued share capital or equivalent of Citico - Sociedade Gestora de Participações Sociais, Lda, a company incorporated in the Republic of Portugal, for an aggregate cash consideration of PTE40,000 (equivalent £115);

In April 2000 the Company acquired, from its immediate parent Citibank Overseas Investment Corporation, two equity participations, one of PTE2,500,000 and one of PTE2,460,000, fully paid, and representing 99.20 per cent of the entire issued share capital or equivalent of Citico - Sociedade Gestora de Participações Sociais, Lda, a company incorporated in the Republic of Portugal, together with PTE14,750,339,000 of supplementary capital thereof for an aggregate consideration of £42,581,081 which was satisfied by the issue and allotment of new Preference shares in the capital of the Company;

In May 2000 the Company acquired the respective entire share capitals which comprised 2 Ordinary shares of £1.00 each of ten nominee companies, each incorporated in Great Britain, for whose activities shall relate to nominee services for clients of Citibank or Citibank International plc for an aggregate cash consideration of £2.00 per company, excluding incorporation costs. These companies are now known as:

CitiClient Nominees No 1 Limited
CitiClient Nominees No 3 Limited
CitiClient Nominees No 5 Limited
CitiClient Nominees No 7 Limited
CitiClient (CPF) Nominees Limited

CitiClient Nominees No 2 Limited
CitiClient Nominees No 4 Limited
CitiClient Nominees No 6 Limited
CitiClient Nominees No 8 Limited
CitiClient (CPF) Nominees No 2 Limited

In August 2000 the Company acquired by purchase from The United Bank of Kuwait Plc an additional 8 Voting shares of £1.00, fully paid, and an additional 1,427 Income shares of £1.00, fully paid, in the issued share capital of Argent Development Consortium Limited for an aggregate cash consideration of £76,913;

Citibank Investments Limited and Subsidiaries

NOTES TO THE ACCOUNTS (continued)

35. POST BALANCE SHEET EVENTS (continued)

In August 2000 the Company acquired, by direct subscription, 2 Ordinary shares of £1.00 each representing the entire issued share capital of Citigroup (UK) Pension Trustee Limited, a company incorporated in Great Britain, for an aggregate cash consideration of £2.00;

In August 2000 the Company acquired from its immediate parent company, Citibank Overseas Investment Corporation, an additional 23,802,624 Sterling Ordinary shares of £1.00 each, fully paid, in the issued share capital of its subsidiary undertaking Citibank International plc pursuant to a Deed of Agreement of that date for an aggregate consideration of £23,802,624;

and sold the following investments on:

In April 2000 the Company sold its interests in the entire issued share capital or equivalent of Citico - Sociedade Gestora de Participações Sociais, Lda, a company incorporated in the Republic of Portugal, which then comprised four equity participations: one of PTE2,500,000; one of PTE2,460,000; and two of PTE20,000 each respectively fully paid, together with PTE14,750,339,000 of supplementary capital thereof to its subsidiary undertaking Citibank International plc for an aggregate consideration of £42,581,081 which was satisfied by the issue and allotment to the Company of 42,581,081 6.5% Fixed Cumulative Redeemable Preference shares of £1.00 each credited as fully paid in the capital of the Citibank International plc.

36. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The ultimate parent company is Citigroup, incorporated in the United States of America under the laws of the State of Delaware. Copies of its accounts are available from its offices at 153 East 53rd Street, New York, NY. 10043, USA.

The smallest group in which the results of the accounts are consolidated is that of Citibank N.A. Copies of these group accounts are available to the public and may be obtained from their offices at 153 East 53rd Street, New York, NY. 10043, USA.