

CITIBANK INVESTMENTS LIMITED
(Registered Number: 1911126)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2007



CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

The Directors present their report and the financial statements of Citibank Investments Limited ("the Company") and for the year ended 31 December 2007

Business review and principal activities

The Company is the holding company for subsidiary undertakings of Citibank, N A in the United Kingdom primarily engaged in the provision of international banking and related financial services. The Company's principal subsidiary undertaking is Citibank International plc ("CIP")

The Company's pre-tax losses were £53 million compared with £42 million in the previous year. Losses after tax increased from £44 million to £56 million.

The Company's performance is affected by the economic cycle and market conditions. The uncertainty of the world economy and financial markets means that the Company could be adversely impacted by a worsening of economic conditions in the UK or overseas. Note 17 of the financial statements provides information on some of the key risks to which the Company is exposed.

Income

Total operating loss was £53 million, a 26 per cent increase on the previous year. Net interest expense increased from £44 million to £62 million, driven primarily by higher interest rates in 2007.

Balance sheet

Total assets of £2,856 million at 31 December 2007 were 24 per cent higher than at 31 December 2006. This has primarily resulted from acquisitions and increased investment in subsidiaries.

On 12 March 2007 the Company received a capital contribution of £240 million from its immediate parent.

On 10 May 2007 the Company allotted 100 million ordinary shares of £1 fully paid at par to Citibank Overseas Investment Corporation.

On 11 July 2007 the authorised share capital of the Company was increased to £1,800,000,000 by the creation of an additional 200 million ordinary shares of £1 each.

On 12 July 2007 the Company allotted 150 million ordinary shares of £1 fully paid at par to Citibank Overseas Investment Corporation.

In addition to the financial results of the Company, senior management also consider the following key financial performance indicators:

- Operating leverage
- Net interest margin

Citigroup Inc manages its operations on a divisional basis and the Company's results are included in the segmental results of Citigroup Inc. For that reason, the Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the businesses.

The Company's strategy continues to act as a holding company.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

Acquisitions

On 8 January 2007 1,079,632 ordinary shares of £1 each in CIP were acquired by the Company from CitiFinancial Europe plc for a cash consideration of £1,079,632

On 28 February 2007 the Company purchased Quilter Holdings Limited ("Quilter") and all of its subsidiaries for a consideration of £242,085,350

On 14 May 2007 the Company purchased 100,000,000 ordinary shares of £1 each in CIP for a cash consideration of £100 million

On 12 July 2007 the Company purchased 150,000,000 ordinary shares of £1 each in CIP for a cash consideration of £150 million

On 1 December 2007 the Company purchased Citigroup Property Limited and Citigroup Centre 1 Limited for £32,053,205 paid in cash

Financial instruments

The financial risk management objectives and policies and the exposure to price risk, credit risk and liquidity risk of the Company have been disclosed in the risk management policies on pages 23 to 27

Dividends

There were no dividends paid in the year. The Directors do not recommend the payment of a final dividend for the year (2006: £nil)

Directors and their interests

The following Directors held office at 31 December 2007

W J Mills
S H Dean
B J Gans

M J Kirkwood resigned as a Director with effect from 16 July 2007

Directors' responsibilities for financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. The Company has applied the exemption in section 228A from the preparation of consolidated group accounts as the results of the Company and its subsidiaries are included within the consolidated results of Citigroup Inc on an equivalent basis. Under company law the Directors have prepared both the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2007

In preparing the 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 they have been prepared in accordance with IFRSs as adopted by the EU, and
- 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. 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.

Directors' indemnity

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditors

In accordance with s 234ZA, Companies Act 1985 it is stated by the Directors who held office at the date of approval of this Directors' Report that, so far as each is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This statement is made subject to all the provisions of s 234ZA.

By order of the board



J D Robson
Secretary

30 October 2008

Registered office
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

CITIBANK INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CITIBANK INVESTMENTS LIMITED

We have audited the financial statements of Citibank Investments Limited ("the Company") for the year ended 31 December 2007 which comprise the Income Statement, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's sole member, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of the Company's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 October 2008

CITIBANK INVESTMENTS LIMITED

INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 £ Million	2006 £ Million
Interest and similar income		11	8
Interest expense and similar charges		<u>(73)</u>	<u>(52)</u>
Net interest expense	3	(62)	(44)
Dividend income	4	9	2
Operating loss and loss before income tax		<u>(53)</u>	<u>(42)</u>
Income tax expense	6	(3)	(2)
Loss for the financial year	13	<u>(56)</u>	<u>(44)</u>

There are no recognised gains or losses in either 2007 or 2006 other than the loss for the year

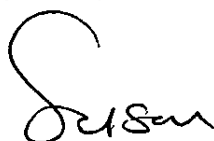
CITIBANK INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2007

	Note	2007 £ Million	2006 £ Million
Assets			
Cash and cash equivalents		-	12
Loans and advances to banks		247	222
Loans and advances to customers	8	1	1
Shares in subsidiary undertakings	9	2,582	2,054
Prepayments and accrued income		22	10
Investment in associate	10	1	1
Other assets	11	3	3
Total assets		2,856	2,303
Liabilities			
Deposits by banks		21	3
Amount due to group undertaking		21	13
Accruals and deferred income		172	100
Current tax liabilities		5	2
Provisions for liabilities	12	-	3
Subordinated loans	14	974	953
Total liabilities		1,193	1,074
Equity shareholders' funds			
Share capital	15	1,020	770
Other reserves	13	578	338
Retained earnings	13	65	121
Total shareholders' funds	13	1,663	1,229
Total liabilities and equity shareholders' funds		2,856	2,303

Approved by the Directors on 30 October 2008 and were signed on their behalf by



S H Dean



Director

CITIBANK INVESTMENTS LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 £ Million	2006 £ Million
Cash flow from / (used in) operating activities			
Profit before tax		(53)	(42)
Adjustments to reconcile net profit to cash flow from / (used in) operating activities			
Non-cash items included in net profit and other adjustments:			
Net changes from investing activities		(199)	(296)
Net (increase) / decrease in operating assets:			
Due from/to banks		7	(69)
Due from/to customers		8	13
Accrued income, prepaid expenses and other assets		(12)	(9)
Net increase/(decrease) in operating liabilities:			
Accrued expenses and other liabilities		328	385
Dividend income		9	-
Net cash flow (used in)/ from investing activities		<u>88</u>	<u>(18)</u>
Cash flow from/(used in) investing activities			
Investments in subsidiary undertakings	9	(528)	-
Capital contribution paid	9	-	(343)
Net cash flow from/(used in) investing activities		<u>(528)</u>	<u>(343)</u>
Cash flow from financing activities			
Capital issuance	13	250	-
Interest paid on debt securities and other borrowed funds		(62)	(44)
Buy back of share capital	13	-	(10)
Capital contribution received	13	240	343
Net cash flow from financing activities		<u>428</u>	<u>289</u>
Net increase/(decrease) in cash and cash equivalents		(12)	(72)
Cash and cash equivalents, beginning of the year		12	84
Cash and cash equivalents, end of the year		<u>-</u>	<u>12</u>

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

a) Basis of presentation

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the E U

These financial statements have been prepared under the historical cost convention as modified to include the fair value of certain financial instruments to the extent required or permitted under the accounting standards and as set out in the relevant accounting policies

In preparing these accounts the Company has adopted the following standards for the first time

- IFRS 7 "Financial Instruments Disclosures" ("IFRS 7"), which has impacted the type and amount of disclosures made in these financial statements The Company has provided full comparative information,
- An amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures",
- IFRIC 8 'Scope of IFRS 2', and
- IFRIC 9 'Reassessment of Embedded derivatives'

The application of these new standards and interpretations has had no impact on the reported profits or financial position of the Company

The Company has elected not to early adopt the following standards

- IFRS 8 'Operating Segments', is effective for periods beginning after 1 January 2009 The Company expects to adopt the standard with effect from 1 January 2009, and
- IFRIC 11 'IFRS 2 Group and Treasury Share Transactions' will be adopted effective from 1 January 2008

b) Consolidation

The Company has applied the exemption in section 228A of the Companies Act 1985 from the preparation of consolidated group accounts as the financial results of the Company and its subsidiary undertakings are included in the consolidated group accounts of Citigroup Inc on a basis that is consistent with the financial reporting requirements of the Companies Act As such, these financial statements present information about the Company as an individual undertaking and not about its group The consolidated financial statements of Citigroup Inc within which the Company is included are available from the address stated in note 18

c) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments The Company is organised into a single business group, Corporate and Investment Banking, and operates in a single geographic region, the European Union As a result no separate segmental reporting disclosures have been made

d) Foreign currencies

The financial statements are presented in Pounds Sterling ("£"), which is the presentational currency of the Company

At the balance sheet date monetary assets and liabilities are translated at the year end rates of exchange Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate at the date of the transaction Non-monetary assets and liabilities measured at fair value are translated at the exchange rate at the date fair value was determined Any exchange profits and losses are taken to the income statement

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

e) Net interest income

Interest income and expense on financial assets and liabilities are recognised in the income statement using the effective interest rate method. Fees and direct costs relating to loan origination, re-financing or restructuring and to loan commitments are deferred and amortised to interest earned on loans and advances using the effective interest method.

f) Dividend income

Dividend income is recognised when the right to receive payment is established which is the ex-dividend date for equity securities.

g) Financial assets and liabilities

Loans and receivables

Loans and receivables consist of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not classified as available-for-sale and the Company does not intend to sell them immediately or in the near term. They are initially recognised at fair value, which is the cash given to originate the loan, including any directly attributable transaction costs less fees received and subsequently measured at amortised cost using the effective interest rate method, less any impairment charges. Loans are recognised when cash is advanced to borrowers and are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Deposits, and subordinated loans are initially measured at fair value net of transactions costs at trade date. Subsequently, they are measured at amortised cost using the effective interest rate.

h) Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flow from assets has expired or the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

i) Shares in subsidiary and associate undertakings

Investments in subsidiaries and associates, comprising unlisted securities, are shown at cost, less allowance for impairment.

Amounts receivable from the liquidation of subsidiary undertakings are included within "Other assets".

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

j) Income taxes

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. The tax effects of income tax losses available for carry-forward are recognised as a deferred tax asset if it is probable that future taxable profit will be available against which the losses can be utilised.

Deferred tax assets and liabilities are recognised for taxable and deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that there will be suitable profits available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the balance sheet date.

Current and deferred taxes are recognised as income tax benefit or expense in the income statement, except for deferred taxes on the following items which are recorded as a separate component of equity:

- i unrealised gains or losses on available-for-sale investments, and
- ii changes in actuarial gains and losses on retirement benefit plans

k) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than three months, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term trading assets.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions and estimates

The results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The accounting policies used in the preparation of the financial statements are described in detail above.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is:

Valuation of financial instruments

The Company's accounting policy for valuation of financial instruments is included in Note 1(g). The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, where this is not possible management may be required to make estimates.

3. Net interest expense

	2007 £ Million	2006 £ Million
Interest income	11	8
Interest expense	(73)	(52)
	<u>(62)</u>	<u>(44)</u>

4. Dividend income

	Company 2007 £ Million	2006 £ Million
Equity Shares	<u>9</u>	<u>2</u>

5. General and administrative expenses

The Company has no employees, services are provided by employees of other Citigroup companies. Auditor's remuneration in relation to the audit of the Company amounting to £20,000 (2006: £18,600) is borne by CIP.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Income tax expense

a) Analysis of tax charge in the year

	2007 £ Million	2006 £ Million
Current tax		
UK corporation tax on profits of the period	3	2
Total UK corporation tax	<u>3</u>	<u>2</u>
Tax charge	<u><u>3</u></u>	<u><u>2</u></u>

(b) Factors affecting tax charge for the period

The tax assessed for the Company for the period is lower (2006 lower) than the standard rate of corporation tax in the U K (30%) The differences are explained below

	2007 £ Million	2006 £ Million
Loss before tax	<u>(53)</u>	<u>(42)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 30%	(16)	(13)
Effects of		
Intercompany and other dividend received	(3)	(1)
Interest not paid within 12 months of year end	22	16
Income tax expense	<u><u>3</u></u>	<u><u>2</u></u>

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Financial assets and liabilities

The following tables summarise the carrying value and fair values of the financial assets and financial liabilities and the classification of each class of financial asset and liability

2007	Note	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Assets					
Cash and cash equivalents		-	-	-	-
Loans and advances to banks		247	-	247	197
Loans and advances to customers	8	1	-	1	1
Total financial assets		248	-	248	198

Liabilities					
Deposits by banks		-	21	21	21
Amount due to group undertaking		-	21	21	21
Subordinated loan	14	-	974	974	772
Total financial liabilities		-	1,016	1,016	814

2006		Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Assets					
Cash and cash equivalents		12	-	12	12
Loans and advances to banks		222	-	222	220
Loans and advances to customers	8	1	-	1	1
Total financial assets		235	-	235	233

Liabilities					
Deposits by banks		-	3	3	3
Amount due to group undertaking		-	13	13	13
Subordinated loan	14	-	953	953	940
Total financial liabilities		-	969	969	956

The following summarises the major methods and assumptions used in estimating the fair value of the financial assets and financial liabilities used in the tables

- The fair value for loans and advances and other lending are estimated using internal valuation techniques such as discounted cash flow analyses. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued. In certain cases the fair value approximates carrying value because the instruments are short term in nature or reprice frequently.
- Fair values of subordinated loans are estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Company for deposits of similar remaining maturities.
- The carrying amount of cash and cash equivalents is a reasonable approximation of fair value due to the short term nature of the balances.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Loans and advances to customers

	2007 £ Million	2006 £ Million
Commercial loans	<u>1</u>	<u>1</u>
	1	1
Less allowance for losses on loans	-	-
	<u>1</u>	<u>1</u>

9. Shares in subsidiary undertakings

The movement in the Company's investments in the share capital of subsidiary undertakings was as follows

	2007 £ Million	2006 £ Million
At 1 January	2,054	1,714
Additions	528	-
Capital contribution	-	343
Liquidation	-	(3)
At 31 December	<u>2,582</u>	<u>2,054</u>

On 8 January 2007 1,079,632 ordinary shares of £1 each in CIP were acquired from CitiFinancial Europe plc for a cash consideration of £1 million

On 28 February 2007 the Company purchased 100 per cent of the share capital of Quilter and all of its subsidiaries for a cash consideration of £242 million. Total costs incurred as part of the acquisition amounted to £3million

The net book value of Quilter at the date of acquisition was £48 million as such, a premium was paid for the acquisition. The premium included identifiable intangible assets including client-based relationships, the Quilter trade name and internally generated computer software together valued at £73 million and goodwill of £124 million. The goodwill represents value obtainable from synergies with Citigroup, expertise Citigroup brings to Quilter operations and the ability for Citigroup to market the broad range of its products to Quilter's clients. At year end it was considered that there had been no impairment of the goodwill.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Shares in subsidiary undertakings (continued)

On 14 May 2007 the Company purchased 100,000,000 ordinary shares of £1 each in CIP for a cash consideration of £100 million. On 12 July 2007 the Company purchased 150,000,000 ordinary shares of £1 each in CIP for a cash consideration of £150 million.

On 1 December 2007 the Company purchased 100 per cent of the share capital of CGC 1 Limited ('CGC 1') for a cash consideration of £10 million. The net book value of CGC 1 at the date of acquisition was £10 million as such, no premium was paid for the acquisition.

On 1 December 2007 the Company purchased 100 per cent of the share capital of Citigroup Property Limited ('CPL') for a cash consideration of £22 million. The net book value of CPL at the date of acquisition was £22 million as such, no premium was paid for the acquisition.

Details of principal Company subsidiary undertakings held at 31 December 2007 are as follows:

Name	Country of incorporation	Nature of business	% holding in ordinary share capital
Citibank International plc	England	International corporate, investment and consumer banking	100%
Citicorp Trustee Company Limited	England	Trustee for unit and investment trusts	100%
Quilter Holdings Limited	England	Investment management and advisory services to private clients	100%
Citigroup Property Limited	England	Property management	100%
Citigroup Centre 1 Limited	England	Provision of office accommodation	100%
Citigroup Partners UK	England	Limited partnership holding subordinated notes and investments	-

Citigroup Partners UK ("CGPUK") was established in 2001. Within the terms of the partnership agreement Citibank Investments Limited ("CIL") is the general partner and Citigroup Capital Finance Ireland Limited ("CCFIL") is the limited partner. As the general partner in the partnership arrangement CIL has control over CGPUK subject to the terms of the partnership agreement.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Investment in associate

The Company's investment represents a 20.80% holding in Volbroker Com Limited, which was incorporated in England and Wales. The issued equity capital of Volbroker Com Limited is £1,847,000.

For the year ended 31 December 2007, the Company's share of associate profit was £0.9 million (2006: £0.8 million).

Summarised aggregate financial information on associate

	2007 £ Million	2006 £ Million
Assets	10.6	5.3
Liabilities	2.2	1.6
Revenues	7.6	5.2
Profit	4.5	4.0

11. Other assets

	2007 £ Million	2006 £ Million
Subsidiaries in liquidation	3	3
	<u>3</u>	<u>3</u>

12. Provisions for liabilities

	Provision for property costs £ Million
At 1 January 2007	3
Provisions utilised	(3)
At 31 December 2007	<u>-</u>

The "provision for property costs" relates to dilapidation and onerous property costs incurred as a result of vacating a property in London. It was fully utilised during 2007.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Capital and reserves

	Share capital £ Million	Capital reserve £ Million	Retained earnings £ Million	Total £ Million
At 1 January 2006	780	1	165	946
Share buy back	(10)	(6)	-	(16)
Total recognised income and expense	-	-	(44)	(44)
Capital contribution	-	343	-	343
At 31 December 2006	770	338	121	1,229
Share capital issuance	250	-	-	250
Total recognised income and expense	-	-	(56)	(56)
Capital contribution	-	240	-	240
At 31 December 2007	<u>1,020</u>	<u>578</u>	<u>65</u>	<u>1,663</u>

On 12 March 2007 The Company received a capital contribution of £240 million from Citibank Overseas Investment Corporation and is recorded in the capital reserve

On 10 May 2007 and 12 July 2007 the Company allotted 100 million and 150 million ordinary shares of £1 fully paid at par to Citibank Overseas Investment Corporation

The capital reserve includes the capital contributions from the parent company received during 2006 and 2007 which are distributable

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. Subordinated loan

	2007 £ Million	2006 £ Million
Amounts due after five years		
Subordinated loans	928	907
Preference shares	46	46
	<u>974</u>	<u>953</u>

At 31 December 2007 the following facilities were in place

Amounts due after five years	<u>981</u>	<u>986</u>
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Preference shares

Authorised

600,000,000 6 5% Fixed rate cumulative redeemable preference shares of £1 each

<u>600</u>	<u>600</u>
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Issued

45,970,355 6 5% Fixed rate cumulative redeemable preference shares of £1 each

<u>46</u>	<u>46</u>
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On 26 October 2001 the Company entered into a subscription agreement, whereby Citigroup Capital Finance Limited subscribed for £335.75 million Subordinated Floating Rate Notes due 2031 in the Company at that date. These notes are fully subordinated to the rights and claims of senior creditors of the Company and bear interest at a 3 month market rate.

On 26 October 2001 the Company entered into a subscription agreement, whereby Citigroup Partners UK subscribed for £350 million Subordinated Floating Rate Notes due 2031 in the Company at that date. These notes are fully subordinated to the rights and claims of senior creditors of the Company and bear interest at a 2 year market rate.

On 30 September 2005 the Company entered into a subordinated loan agreement with Citigroup Capital Finance Ireland Limited and drew down €330 million due in 2015. These notes are fully subordinated to the rights and claims of senior creditors of the Company and interest is payable at LIBOR plus 50 basis points.

The 6 5% Fixed Rate Cumulative Redeemable Preference shares are redeemable at the option of the Company, exercisable after 20 years. However, the company shall redeem the whole of the fixed rate preference shares outstanding on 31 December 2025. The holders of the preference shares are entitled, on the winding up of the Company, to priority over the ordinary and preferred ordinary shareholders as regards payment of capital and any arrears or deficiency of the fixed cumulative preferential dividend. They are not entitled to any further participation in the profits or assets of the Company and accordingly these shares are classified as non-equity shares. The parent company has waived its right to receive dividends.

The IFRS definition of debt includes instruments with a contractual obligation to pay the principal or interest.

Following the adoption of IAS 32 from 1 January 2005 the preference shares were reclassified from share capital to other borrowed funds, as they are redeemable by the company by 31 December 2025.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Share capital

Authorised	2007 £ Million	2006 £ Million
1,800,000 000 (2006 1,000,000) sterling ordinary shares of £1 each	<u>1,800</u>	<u>1,000</u>
Allotted, called-up and fully paid	2007 £ Million	2006 £ Million
1,019,704,769 (2006 769,704,769) sterling ordinary shares of £1 each	<u>1,020</u>	<u>770</u>
Ordinary shares of £1 each	2007 Shares	2006 Shares
At 1 January	769,704,769	779,881,574
Allotted to Citibank Overseas Investment Corporation	250,000,000	-
Share buy back	-	(10,176,805)
At 31 December	<u>1,019,704,769</u>	<u>769,704,769</u>

On 11 July 2007 the authorised share capital of the Company was increased to £1,800,000,000 by the creation of an additional 200 million ordinary shares of £1 each

All ordinary shares confer identical rights in respect of capital, dividends, voting and otherwise

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Overseas Investment Corporation. The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. which is incorporated in the United States. The Company defines related parties as the Board of Directors, their close family members, parent and fellow subsidiaries and associated companies.

A number of arms' length transactions are entered into with related parties. These include loans and deposits that provide funding to the Company. The table below summarises balances with related parties. There were no related party transactions with the ultimate parent company, Citigroup Inc.

	2007			2006*		
	Subsidiary	Other	Total	Subsidiary	Other	Total
	undertakings	Citigroup		undertakings	Citigroup	
	£Million	£Million	£Million	£Million	£Million	£Million
Assets						
Cash and cash equivalents	-	-	-	7	5	12
Loans and advances to banks	247	-	247	222	-	222
Prepayments and accrued income	22	-	22	10	-	10
Liabilities						
Deposits by banks	-	21	21	3	-	3
Amounts due to group undertakings	18	3	21	13	-	13
Accruals and deferred income	90	82	172	55	45	100
Subordinated loans	350	624	974	350	603	953
Income statement						
Interest and similar income	11	-	11	8	-	8
Interest payable	(35)	(38)	(73)	(27)	(25)	(52)

* restated to be consistent with current year presentation

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Related party transactions (continued)

Directors' remuneration

Key management are the Directors of the Company and their remuneration relates to the services provided to the Company

Directors' emoluments

	2007 £ 000's	2006 £ 000's
Salaries and other short- term benefits	29	616
Post-employment benefits	-	50
Share-based payments	25	28
	<u>54</u>	<u>694</u>

A listing of the Board of Directors is shown in the Directors' Report

Contributions to defined benefit and money purchase schemes are accruing to 3 of the Directors (2006 4) Four of the Directors (2006 4) of the Company participate in Citigroup share plan and 2 Directors hold share options and during the year, 2 of the Directors (2006 3) exercised options The emoluments for the highest paid Director were £0 04 million (2006 £0 6 million) with £0 02 million (2006 £0 2 million) being share based compensation and accrued pension of nil (2006 £0 05 million) During the year, the highest paid Director exercised share options

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments and risk management

Objectives, policies and strategies

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

The Company issues financial instruments to fund a portion of the Company's assets. The objective of using financial instruments for financing purposes 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.

Risk management

Risks arise from lending, and other activities routinely undertaken. The following sections summarise the processes that were in place during 2007 for managing the Company's major risks.

Market risk

Market risk encompasses liquidity risk and price risk. Liquidity risk is the risk that the Company may be unable to meet a financial commitment to a creditor, when due. Price risk is the risk to earnings that arises from adverse changes in interest rates and foreign exchange rates, and in their implied volatilities.

The Company and its affiliates' 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 risk controls and limits, policies and procedures and appropriate senior management risk oversight with a risk management function independent from the business. 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. Periodic reviews are conducted by Audit and Risk 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 Interest Rate Gap Analysis, Interest Rate Exposure ("IRE") limits, stress and scenario analysis, which are applied to interest rate risk arising in the non-trading portfolios and factor sensitivity limits. At the discretion of Market Risk Management, VaR can sometimes be applied to the non-trading portfolio as a complementary measure.

Currency exposures

The main operating currency of the Company is sterling. However, a portion of its funding is received in euros. As the Company prepares its financial statements in sterling, the Company's balance sheet is affected by movements between euro and sterling.

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

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments and risk management (continued)

Liquidity risk

Management of liquidity at Citigroup is the responsibility of the Corporate Treasury function. A uniform liquidity risk management policy exists for Citigroup and its major operating subsidiaries. Under this policy, there is a single set of standards for the measurement of liquidity risk in order to ensure consistency across businesses, stability in methodologies and transparency of risk. Management of liquidity at each UK operating subsidiary is performed on a daily basis and is monitored by Corporate Treasury.

The UK forum for liquidity issues is the UK Asset/Liability Management Committee ("ALCO"), which includes senior executives within the Company. This forum is composed of the Country Head, UK CFO, Regional Corporate Treasurer and business treasury functions. The UK 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. Liquidity risk is monitored using various ratios and limits in accordance with the Liquidity Risk Management Policy for Citigroup. The funding and liquidity plan includes analysis of the balance sheet as well as the economic and business conditions impacting the major operating subsidiaries in the UK. As part of the funding and liquidity plan, liquidity limits, liquidity ratios, and assumptions for periodic stress tests are reviewed and approved.

The following table analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	1 year or less £ million	>1 year and < 5 years £ Million	Greater than 5 years £ Million	Total £ Million
2007				
Assets				
Loans and advances to banks	5	-	242	247
Loans and advances to customers	1	-	-	1
All other assets	22	-	2,586	2,608
Total assets	28	-	2,828	2,856
2006 total assets	13	-	2,290	2,303
Liabilities				
Deposits by banks	21	-	-	21
Amounts due to group undertaking	21	-	-	21
Subordinated loan notes	-	-	974	974
All other liabilities and equity	1,840	-	-	1,840
Total liabilities and equity	1,882	-	974	2,856
2006 total liabilities and equity	1,350	-	953	2,303
2007 net liquidity gap	(1,854)	-	1,854	-
2006 net liquidity gap	(1,337)	-	1,337	-

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Financial instruments and risk management (continued)

Liquidity risk (continued)

The table below analyses the Company's liabilities into relevant maturity groupings based on the remaining contractual undiscounted cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the liquidity risk based on the contractual maturity as disclosed in the previous table

	3 months or less £ Million	> 3 months and < 1 year £ Million	>1 year and < 5 years £ Million	Greater than 5 years £ Million	Gross nominal inflow/ (outflow) £ Million
2007					
Liabilities					
Deposits by banks	-	22	-	-	22
Amount due to group undertaking	-	21	-	-	21
Subordinated loan notes	17	52	349	2,008	2,426
	<u>17</u>	<u>95</u>	<u>349</u>	<u>2,008</u>	<u>2,469</u>
2006					
Liabilities					
Deposits by banks	-	3	-	-	3
Amount due to group undertaking	-	13	-	-	13
Subordinated loan notes	14	43	288	1,889	2,234
	<u>14</u>	<u>59</u>	<u>288</u>	<u>1,889</u>	<u>2,250</u>

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and loans and advances to bank

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments and risk management (continued)

Credit risk

The Company takes on limited exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due because its activities are predominately with other Citigroup companies

The Company's maximum credit exposure is represented by the financial assets presented on the balance sheet

Management of credit risk

Credit risk is measured by total facilities and an exposure measurement, which consists of outstanding and unused committed facility amounts. There are five exposure types: direct, contingent, counterparty, settlement and clearing. Facility risk ratings are assigned to all credit exposures, and obligor risk ratings to all relationships.

Facilities must be approved by the appropriate independent risk and business credit officers. Facilities are re-assessed annually and are as a result either re-approved or terminated. Extension of credit is governed by limits based on an obligor's risk rating. Weaker credits are monitored either quarterly or monthly depending on the exposure amount and credit quality. A dedicated team is responsible for risk reporting and aggregation at the obligor level.

The credit quality of assets is monitored constantly and reported to senior management team and the board quarterly. In addition, high risk exposures are reported to senior management monthly. Any sudden credit events are promptly escalated to senior risk and business managers.

Credit quality

The Company's loans and advances to banks are subordinated loans to CIP which is independently rated by Standard & Poors as A-1+

Operational risk management process

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct that the Company undertakes. Operational risk is inherent in the Company's business activities and, as with other risk types, is managed through an overall framework with checks and balances that includes:

- Recognised ownership of the risk by the businesses,
- Oversight by independent risk management, and
- Independent review by Audit and Risk Review (ARR)

Framework

The Company follows the approach to operational risk defined in the Citigroup Risk and Control Self-Assessment (RCSA)/Operational Risk Policy. The objective of the Policy is to establish a consistent, value-added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citigroup. The Operational Risk standards facilitate the effective communication of operational risk. Information about operational risk, historical losses and the control environment is reported and summarised for the Audit Committee, Senior Management and for the Directors.

Measurement and Basel II

To support advanced capital modelling and management each business is required to capture relevant operational risk capital information. An enhanced version of the Citigroup risk capital model for operational risk has been developed and implemented across the major business segments. The FSA has approved this model, including a capital allocation, for use within the Group as an "Advanced Measurement Approach" (AMA) under Basel II. It uses a combination of internal and external loss data to support statistical modelling of capital requirement estimates, which are then adjusted to reflect qualitative data regarding the operational risk and control environment.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Financial instruments and risk management (continued)

Capital management

Regulatory capital

The Company's capital adequacy position is managed and monitored in accordance with the prudential requirements of the Financial Services Authority ('FSA'), the UK regulator as part of a wider 'regulatory reporting group'. The group, which the Company is a member of, must at all times meet the relevant minimum capital requirements of the FSA. The group has established processes and controls in place to monitor and manage its capital adequacy position and remained in compliance with these requirements throughout the year.

Under the FSA's minimum capital standards, the regulatory reporting group is required to maintain a prescribed excess of total capital resources over its capital resources requirements. In meeting these requirements, the regulatory reporting group recognises a number of credit risk mitigation techniques in calculating the charges for credit risk.

18. Parent companies

The Company is a subsidiary undertaking of Citibank Overseas Investment Corporation, which is incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc. Copies of these group accounts are available to the public and may be obtained from their offices at Document Services, 140 58th Street, Brooklyn, New York, NY 11220, United States of America.