

CITIBANK INVESTMENTS LIMITED
(Registered Number: 1911126)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2008

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CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

The Directors present their report and the financial statements of Citibank Investments Limited ("the Company") and for the year ended 31 December 2008.

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 £467 million compared with £53 million in the previous year. Losses after tax increased from £56 million to £467 million.

The past year has been a period of substantial turbulence in financial markets. These disruptions in the global financial markets have affected the Company's business and the results of its operations. 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 £467 million compared to a loss of £53 million in the previous year, mainly due to the impairment of investment in subsidiary undertakings. Net interest expense increased from £62 million to £64 million, driven primarily by an increase in the subordinated loans.

Balance sheet

Total assets of £3,252 million at 31 December 2008 were 14 per cent higher than at 31 December 2007. This has primarily resulted from an increase in loans and advances to banks.

On 8 April 2008, €126 million (£101 million) of the existing subordinated debt facility with Citigroup Capital Finance Ireland Limited was drawn down.

On 8 April 2008 the company received a capital contribution of \$300 million (£150 million) from Citibank Overseas Investment Corporation ("COIC")

On 31 December 2008 the Company acquired the issued share capital of ACONA B.V. ("ACONA") as a capital contribution from COIC for \$627 million (£430 million).

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.

Post balance sheet events

On 31 May 2009 the Company contributed the issued share capital of Quilter Holdings Limited ("Quilter") to a joint venture in consideration for a membership interest in Morgan Stanley Smith Barney Holdings LLC. On the same day the Company transferred its membership interest for a cash consideration of £82 million. The loss on sale to the Company is expected to be £28 million.

On 14 October 2009 the Company placed its subsidiary ACONA into liquidation. Its subsidiaries will be taken under direct ownership of the Company. On dissolution of ACONA the Company estimates that it will have a loss on liquidation of £99 million.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

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 24 to 27.

Risk factors

The disruption in the financial markets has increased the risks and uncertainties faced by Citigroup and other Financial Service companies. The below is an extract of the risk factors impacting Citigroup from its 2008 annual report on form 10-K:

Disruptions in the global financial markets have affected, and may continue to adversely affect, Citigroup's business and results of operations.

Dramatic declines in the housing market during 2008, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivatives, have caused many financial institutions to seek additional capital and to merge with other financial institutions. Disruptions in the global financial markets have also adversely affected the corporate bond markets, debt and equity underwriting and other elements of the financial markets.

Reflecting concerns about the stability of the financial markets generally and the strength of counterparties, some lenders and institutional investors have reduced and, in some cases, ceased to provide funding to certain borrowers, including other financial institutions. The impact on available credit (even where Citigroup and other TARP participants are making credit available), increased volatility in the financial markets and reduced business activity has adversely affected, and may continue to adversely affect Citigroup's businesses, capital, liquidity or other financial conditions and results of operations, access to credit and the trading price of Citigroup common stock, preferred stock or debt securities.

Market disruptions may increase the risk of customer or counterparty delinquency or default.

The current market and economic disruptions have affected, and may continue to affect, consumer confidence levels, consumer spending, personal bankruptcy rates and home prices, among other factors, which provide a greater likelihood that more of Citigroup's customers or counterparties could use credit cards less frequently or become delinquent in their loans or other obligations to Citigroup. This, in turn, could result in a higher level of charge-offs and provisions for credit losses, all of which could adversely affect Citigroup's earnings. Policies of the Federal Reserve Board or other governmental institutions can also adversely affect Citigroup's customers or counterparties, potentially increasing the risk that they may fail to repay their loans. Additionally, Citigroup may incur significant credit risk exposure which may arise, for example, from entering into swaps or other derivatives contracts under which counterparties have long-term obligations to make payments to the Company. Recent market conditions, including decreased liquidity and pricing transparency along with increased market volatility, have negatively impacted Citigroup's credit risk exposure. Although Citigroup regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Citigroup may experience further write-downs of its financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets have made it extremely difficult to value certain of Citigroup's assets. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the value of the assets in future periods. In addition, at the time of any sales of these assets, the price Citigroup ultimately realizes will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could require Citigroup to take further write-downs in respect of these assets, which may have an adverse effect on the Company's results of operations and financial condition in future periods.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

Risk factors (continued)

Citigroup may experience further write-downs of its financial instruments and other losses related to volatile and illiquid market conditions (continued).

In addition, Citigroup finances and acquires principal positions in a number of real estate and real estate-related products for its own account, for investment vehicles managed by affiliates in which it also may also have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets, and originates loans secured by commercial and residential properties. Citigroup also securitises and trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses have been, and may continue to be, adversely affected by the downturn in the real estate sector. Furthermore, in the past Citigroup has provided financial support to certain of its investment products and vehicles in difficult market conditions and Citigroup may decide to do so again in the future for contractual reasons or, at its discretion, for reputational or business reasons, including through equity investments or cash infusions.

Liquidity is essential to Citigroup's businesses, and Citigroup relies on external sources, including governmental agencies, to finance a significant portion of its operations.

Adequate liquidity is essential to Citigroup's businesses. The Company's liquidity could be materially adversely affected by factors Citigroup cannot control, such as the continued general disruption of the financial markets or negative views about the financial services industry in general. In addition, Citigroup's ability to raise funding could be impaired if lenders develop a negative perception of the Company's short-term or long-term financial prospects, or a perception of the Company is experiencing greater liquidity risk. Recent regulatory measures, such as the FDIC's temporary guarantee of the newly issued senior debt as well as deposits in non-interest bearing deposit transaction accounts, and the commercial paper funding facility of the Federal Reserve Board, are designed to stabilise the financial markets and liquidity position of financial institutions such as Citigroup.

While much of Citigroup's recent long-term unsecured funding has been issued pursuant to these government-sponsored funding programs implemented, it is unclear whether, or for how long, these facilities will be extended and what impact termination of any of these facilities could have on Citigroup's ability to access funding in the future. It is also unclear when Citigroup will be able to regain access to the public long-term unsecured debt markets on historically customary terms.

Further, Citigroup's cost of obtaining long-term unsecured funding is directly related to its credit spreads in both the cash bond and derivatives markets. Increases in Citigroup's credit qualifying spreads can significantly increase the cost of this funding. Credit spreads are influenced by market perceptions of Citigroup's creditworthiness and may be influenced by movements in the costs to purchasers of credit default swaps referenced to Citigroup's long-term debt.

Citigroup's credit ratings are also important to its liquidity. A reduction in Citigroup's credit ratings could adversely affect its liquidity, widen its credit spreads or otherwise increase its borrowing costs, limit its access to the capital markets or trigger obligations under certain bilateral provisions in some of the Company's trading and collateralised financing contracts. In addition, under these provisions, counterparties could be permitted to terminate certain contracts with Citigroup or require the Company to post additional collateral. Termination of the Company's trading and collateralised financing contracts could cause Citigroup to sustain losses and impair its liquidity by requiring Citigroup to find other sources of financing or to make significant cash payments or securities transfers.

Recently enacted legislation authorising the U.S. government to take direct action within the financial services industry, and other legislation and regulation currently under consideration, may not stabilise the U.S. financial system in the near term.

On October 3, 2008, the Emergency Economic Stabilisation Act of 2008 (EESA) was signed into law. In addition, on February 17, 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) was signed by President Obama.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

Risk Factors (continued)

Recently enacted legislation authorising the U.S. government to take direct action within the financial services industry, and other legislation and regulation currently under consideration, may not stabilise the U.S. financial system in the near term (continued).

The purpose of these U.S. government actions is to stabilise and provide liquidity to the U.S. financial markets and jumpstart the U.S. economy. The U.S. government is currently considering, and may consider in the future, additional legislation and regulations with similar purposes.

The EESA, ARRA and other governmental programs may not have their intended impact of stabilising, providing liquidity to or restoring confidence in the financial markets. Further, the discontinuation and/or expiration of these or other governmental programs could result in a worsening of current market conditions.

Citigroup may fail to realise all of the anticipated benefits of the proposed realignment of its businesses.

On January 16, 2009, Citigroup announced that it would realign into two businesses, Citicorp and Citi Holdings, for management and reporting purposes, effective second quarter of 2009. The realignment is part of Citigroup's strategy to focus on its core businesses, reduce its balance sheet and simplify its assets. Citigroup believes this structure will allow it to enhance the capabilities and performance of Citigroup's core assets, through Citicorp, as well as realise value from its non-core assets, through Citi Holdings. Citi Holdings will also include Citigroup's 49% interest in the recently announced Morgan Stanley Smith Barney joint venture, a transaction which is also intended to simplify and streamline the Company on a going-forward basis. Despite these efforts, given the rapidly changing and uncertain financial environment, there can be no assurance that the realignment of Citigroup's businesses will achieve the Company's desired objective or benefits.

Citigroup's financial statements are based in part on assumptions and estimates which, if wrong, could cause unexpected losses in the future.

Pursuant to U.S. GAAP, Citigroup is required to use certain assumptions and estimates in preparing its financial statements, including in determining credit loss reserves, reserves related to litigation and the fair value of certain assets and liabilities, among other items. If assumptions or estimates underlying Citigroup's financial statements are incorrect, Citigroup may experience material losses. For example, Citigroup makes judgments in connection with its consolidation analysis of its SPE's. If it is later determined that non-consolidated SPE's should be consolidated, this could adversely affect Citigroup's consolidated balance sheet, related funding requirements and capital ratios, and, if the SPE assets include unrealized losses, could require Citigroup to recognise those losses.

Changes in accounting standards can be difficult to predict and can materially impact how Citigroup records and reports its financial condition and results of operations.

Citigroup's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. From time to time, the FASB changes the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These changes can be hard to predict and can materially impact how Citigroup records and reports its financial conditions and results of operations.

Defaults by another large financial institution could adversely affect Citigroup and the financial markets generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systematic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, and exchanges with which Citigroup interacts on a daily basis and, therefore, could adversely affect the Company.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

Risk Factors (continued)

Citigroup may incur significant losses as a result of ineffective risk management processes and strategies and concentration of risk increases the potential for such losses.

Citigroup seeks to monitor and control its risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms.

While Citigroup employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes. Recent market conditions, particularly during the latter part of 2007 and 2008, have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk.

These market movements can, and have, limited the effectiveness of Citigroup's hedging strategies and have caused the Company to incur significant losses, and they may do so again in the future. In addition, concentration of risk increases the potential for significant losses in certain of Citigroup's businesses. For example, Citigroup extends large commitments as part of its credit origination activities. Citigroup's inability to reduce its credit risk by selling, syndicating or securitising these positions, including during periods of market dislocation, could negatively affect its results of operations due to a decrease in the fair value of the positions, as well as the loss of revenues associated with selling such securities or loans.

In addition, the Company routinely executes a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks and investment funds. This has resulted in significant credit concentration with respect to this industry.

Citigroup's businesses are subject to extensive and pervasive regulation around the world.

As a participant in the financial services industry, Citigroup is subject to extensive regulation, including fiscal and monetary policies, in jurisdictions around the world. For example, the actions of the Federal Reserve Board and international central banking authorities directly impact Citigroup's cost of funds and lending, capital raising and investment activities and may impact the value of financial instruments the Company holds. This level of regulation is expected to increase significantly in all jurisdictions in which the Company conducts business in response to the current financial crisis. Among other things, Citigroup could be fined, prohibited from engaging in some of its business activities or subject to limitations or conditions on its business activities, including increased capital or liquidity requirements each of which could lead to reputational harm.

The financial services industry faces substantial legal liability and regulatory risks, and Citigroup may face damage to its reputation and legal liability.

Citigroup faces significant legal risks in its business, and the volume of claims and amounts of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Citigroup's experience has been legal claims by customers and clients increase in a market downturn. In addition, employment-related claims typically increased in periods when Citigroup has reduced the total number of employees, such as during the last fiscal year.

In addition, there have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years, and Citigroup runs the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct and the extensive precautions Citigroup takes to prevent and detect this activity may not be effective in all cases.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

Risk Factors (continued)

A failure in Citigroup's operational systems or infrastructure, or those of third parties, could impair the Company's liquidity, disrupts its businesses, results in the disclosure of confidential information, damage Citigroup's reputation and cause losses.

Citigroup's businesses are highly dependent on its ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as the information technology services Citigroup provides to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. Due to the breadth of Citigroup's client base and its geographical reach, developing and maintaining the Company's operational systems and infrastructure has become increasingly challenging. Citigroup's financial account, data processing or other systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond the Company's control, such as a spike in transaction volume or unforeseen catastrophic events, adversely affecting the Company's ability to process these transactions or provide these services.

Citigroup also faces the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries Citigroup uses to facilitate its transactions, and as Citigroup's interconnectivity with its clients grows, the Company increasingly faces the risk of operational failure with respect to its Clients' systems. Implementation on the Morgan Stanley Smith Barney joint venture may, at least temporarily, exacerbate these risks insofar as the activities of the joint venture are concerned.

In addition, Citigroup's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Although Citigroup takes protective measures and endeavours to modify them as circumstances warrant, its computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code, and other events that could have a security impact. Given the high volume of transactions at Citigroup, certain errors may be repeated or compounded before they are discovered and rectified. If one or more of such events occurs, this could potentially jeopardise Citigroup's, its clients', counterparties' or third parties confidential and other information processed and stored in, and transmitted through, the Company's computer systems and networks, or otherwise cause interruptions or malfunctions in Citigroup's, its clients', its counterparties' or third parties' operations, which could result in significant losses or reputational damage.

Some of the above factors are also the key risks and uncertainties facing the Company. The impact of the above factors on the capital and liquidity requirements of the Company is the key driver of the Company's potential need of parental support.

Dividends

There were no dividends paid in the year. The Directors do not recommend the payment of a final dividend for the year (2007: £nil).

Directors and their interests

The following Directors held office at 31 December 2008:

W J Mills
S H Dean
B J Gans

S H Dean resigned as a Director with effect from 1 June 2009. D I Sharland was appointed a Director with effect from 1 June 2009.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2008

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.

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

28 October 2009

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

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 2008 which comprise the Income Statement, Statement of Recognised Income and Expense, 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 8.

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 2008 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

28 October 2009

CITIBANK INVESTMENTS LIMITED

INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 £ Million	2007 £ Million
Interest and similar income		23	11
Interest expense and similar charges		<u>(87)</u>	<u>(73)</u>
Net interest expense		(64)	(62)
Dividend income	3	48	9
Impairment of subsidiary undertakings	8	(451)	-
Operating loss before income tax		<u>(467)</u>	<u>(53)</u>
Income tax expense	5	-	(3)
Loss for the financial year	11	<u><u>(467)</u></u>	<u><u>(56)</u></u>

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

	2008 £ Million	2007 £ Million
Loss for the year	(467)	(56)
Total recognised income and expense for the year	<u><u>(467)</u></u>	<u><u>(56)</u></u>

CITIBANK INVESTMENTS LIMITED

BALANCE SHEET

As at 31 December 2008

	Note	2008 £ Million	2007 £ Million
Assets			
Loans and advances to banks		485	247
Loans and advances to customers	7	-	1
Shares in subsidiary undertakings	8	2,711	2,582
Prepayments and accrued income		55	22
Investment in associate	9	1	1
Other assets	10	-	3
Total assets		3,252	2,856
Liabilities			
Deposits by banks		16	21
Amount due to group undertaking		24	21
Accruals and deferred income		267	172
Current tax liabilities		3	5
Subordinated loans	12	1,166	974
Total liabilities		1,476	1,193
Equity shareholders' funds			
Share capital	13	1,020	1,020
Other reserves	11	1,158	578
Retained earnings	11	(402)	65
Total shareholders' funds	11	1,776	1,663
Total liabilities and equity shareholders' funds		3,252	2,856

Approved by the Directors on 28 October 2009 and were signed on their behalf by:

David Sharland

D. I. Sharland

Director

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 £ Million	2007* £ Million
Cash flow from / (used in) operating activities			
Loss before tax		(467)	(53)
Adjustments to reconcile net profit to cash flow from / (used in) operating activities			
Non-cash items included in net profit and other adjustments:			
Impairment of Investments	8	451	-
Net (increase) / decrease in operating assets:			
Due from/to banks		(243)	(7)
Due from/to customers		1	-
Accrued income, prepaid expenses and other assets		(30)	(12)
Net increase/(decrease) in operating liabilities:			
Accrued expenses and other liabilities		96	80
Income taxes paid		-	(3)
Net cash flow (used in)/ from investing activities		<u>(192)</u>	<u>5</u>
Cash flow from/(used in) investing activities			
Investments in subsidiary undertakings	8	<u>(580)</u>	<u>(528)</u>
Net cash flow from/(used in) investing activities		<u>(580)</u>	<u>(528)</u>
Cash flow from financing activities			
Capital issuance	11	-	250
Interest paid on debt securities and other borrowed funds		-	(62)
Capital contribution received	11	580	240
Proceeds from subordinated loan	12	<u>192</u>	<u>-</u>
Net cash flow from financing activities		<u>772</u>	<u>428</u>
Effects of exchange rate differences			-
Net increase/(decrease) in cash and cash equivalents		-	(12)
Cash and cash equivalents at the beginning of the year		-	12
Cash and cash equivalents, end of the year		<u>-</u>	<u>-</u>

* restated to be consistent with current year presentation.

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.

The financial statements are prepared on a going concern basis taking into account the continuing support from the Company's ultimate parent. The risks and uncertainties facing the parent group, together with those factors which lead to the Company's reliance on parental support, are discussed further in the director's report on pages 3-7. Taking these factors into account the directors acknowledge and accept the intent and ability of Citigroup to provide support to the Company if required and consequently present these financial statements on a going concern basis.

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 effective from 1 January 2009 and will present segmental information which reflects the operating segments used to make operating decisions at that time;
- Revised IFRS 3 'Business Combinations', is effective from 1 January 2010 and will be applied prospectively and therefore have no impact on prior periods financial results; and
- Revised IAS 1 'Presentation of Financial Statements' is effective for periods beginning after 1 January 2009. This will have an impact on the presentation of the financial statements as the Company plans to include a Statement of Changes in Equity.

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 17.

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.

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.

At each reporting date, the Company assesses whether there is any indication that its goodwill, intangible assets or investments in subsidiaries and associates are impaired. These tests for impairment are carried out annually or more frequently if events or changes in circumstance indicate that it might be impaired. Impairment losses in respect of goodwill are not reversed.

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.

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. Dividend income

	2008	2007
	£ Million	£ Million
Equity shares	<u>48</u>	<u>9</u>

4. 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 (2007: £20,000) is borne by CIP.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Income tax expense

a) Analysis of tax charge in the year

	2008 £ Million	2007 £ Million
Current tax:		
UK corporation tax for the period	-	3
Total UK corporation tax	-	3
Tax charge	-	3

(b) Factors affecting tax charge for the period

The tax assessed for the Company for the period is lower (2007: lower) than the standard rate of corporation tax in the U.K. (28%). The differences are explained below:

	2008 £ Million	2007 £ Million
Loss before tax	(467)	(53)
Loss multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(131)	(16)
Effects of:		
Intercompany and other dividend received	(14)	(3)
Interest not paid within 12 months of year end	27	22
Group relief for no consideration	(8)	-
Amounts written off investments	128	-
Adjustments due to change in tax rate	(2)	-
Income tax expense	-	3

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. 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:

		Loans and receivables	Other amortised cost	Total carrying amount	Fair value
2008	Note				
Assets					
Loans and advances to banks		485	-	485	418
Loans and advances to customers	7	-	-	-	-
Total financial assets		485	-	485	418
Liabilities					
Deposits by banks		-	16	16	16
Amount due to group undertakings		-	24	24	24
Subordinated loans	12	-	1,166	1,166	989
Total financial liabilities		-	1,206	1,206	1,029
2007					
Assets					
Loans and advances to banks		247	-	247	197
Loans and advances to customers	7	1	-	1	1
Total financial assets		248	-	248	198
Liabilities					
Deposits by banks		-	21	21	21
Amount due to group undertakings		-	21	21	21
Subordinated loans	12	-	974	974	772
Total financial liabilities		-	1,016	1,016	814

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

7. Loans and advances to customers

	2008 £ Million	2007 £ Million
Commercial loans	-	1
Less: allowance for losses on loans	-	-
	<u>-</u>	<u>1</u>

8. Shares in subsidiary undertakings

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

	2008 £ Million	2007 £ Million
At 1 January	2,582	2,054
Additions	580	528
Impairment	(451)	-
At 31 December	<u>2,711</u>	<u>2,582</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 £3 million.

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.

On 8 April 2008 the Company made a capital contribution of £150 million to CIP.

On 31 December 2008 the Company purchased 100 per cent of the share capital of ACONA and all of its subsidiaries through a capital contribution of £430 million from COIC.

During the annual impairment review of the investment in subsidiaries it was considered that certain investments were impaired by £451 million. The most significant of these were Quilter and ACONA with write-offs of £132 million and £312 million respectively. The impairment on Quilter arose following a reassessment of the carrying value of goodwill which arose on acquisition in 2008. At 31 December 2008 the investment in Quilter is carried by the Company at £110 million which is represented by Quilter's net asset value and intangible assets (principally on client relationships) that were identified at acquisition.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Shares in subsidiary undertakings (continued)

The impairment loss on ACONA follows losses in its subsidiary undertakings who have been exposed to difficult market conditions in their consumer business. The value of the capital contribution received from COIC recognised that an impairment loss would be required at acquisition and to make such a loss capital neutral. At 31 December 2008 the investment in ACONA is carried by the Company at £118 million which is represented by ACONA's net asset value.

The carrying value of all investments is based on value in use to the business.

Details of principal Company subsidiary undertakings held at 31 December 2008 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	-
ACONA B.V.	Netherlands	Holding Company of consumer banking and cards business	100%

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.

9. 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 2008, the Company's share of associate profit was £0.9 million (2007: £0.9 million).

Summarised aggregate financial information on associate

	2008 £ Million	2007 £ Million
Assets	8.8	10.6
Liabilities	2.9	2.2
Revenues	4.1	7.6
Profit	4.4	4.5

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Other assets

	2008 £ Million	2007 £ Million
Subsidiaries in liquidation	-	3
	<u>-</u>	<u>3</u>

11. Capital and reserves

	Share capital £ Million	Capital reserve £ Million	Retained earnings £ Million	Total £ Million
At 31 December 2007	1,020	578	65	1,663
Total recognised income and expense	-	-	(467)	(467)
Capital contribution	-	580	-	580
At 31 December 2008	<u>1,020</u>	<u>1,158</u>	<u>(402)</u>	<u>1,776</u>

On 8 April 2008 the Company received a capital contribution of £150 million from COIC which is recorded in the capital reserve.

On 31 December 2008 the Company received a capital contribution of £430 million from COIC which is recorded in the capital reserve.

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

12. Subordinated loans

	2008 £ Million	2007 £ Million
Amounts due after five years:		
Subordinated loans	1,120	928
Preference shares	<u>46</u>	<u>46</u>
	<u>1,166</u>	<u>974</u>

At 31 December 2008 the following facilities were in place:

Amounts due after five years	<u>1,120</u>	<u>981</u>
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Preference shares

Authorised

600,000,000 6.5% Fixed rate cumulative redeemable preference shares of £1 each

Issued

45,970,355 6.5% Fixed rate cumulative redeemable preference shares of £1 each

	<u>600</u>	<u>600</u>
	<u>46</u>	<u>46</u>

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Subordinated loans (continued)

On 26 October 2001 the Company entered into a subscription agreement, whereby Citigroup Capital Finance Ireland Limited ("CCFIL") 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 CCFIL and drew down €330 million due in 2015. On 8 April 2008, a further €126 million of the facility was drawn down. 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.

13. Share capital

	2008 £ Million	2007 £ Million
Authorised		
1,800,000 000 sterling ordinary shares of £1 each	<u>1,800</u>	<u>1,800</u>
	2008 £ Million	2007 £ Million
Allotted, called-up and fully paid		
1,019,704,769 sterling ordinary shares of £1 each	<u>1,020</u>	<u>1,020</u>
	2008 £ Million	2007 £ Million
Ordinary shares of £1 each		
At 1 January	1,019,704,769	769,704,769
Allotted to Citibank Overseas Investment Corporation	-	250,000,000
Share buy back	-	-
At 31 December	<u>1,019,704,769</u>	<u>1,019,704,769</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

14. 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.

	2008			2007		
	Subsidiary undertakings	Other Citigroup undertakings	Total	Subsidiary undertakings	Other Citigroup undertakings	Total
	£Million	£Million	£Million	£Million	£Million	£Million
Assets						
Loans and advances to banks	434	51	485	247	-	247
Prepayments and accrued Income	55	-	55	22	-	22
Liabilities						
Deposits by banks	-	16	16	-	21	21
Amounts due to group undertakings	24	-	24	18	3	21
Accruals and deferred income	127	140	267	90	82	172
Other liabilities	-	-	-	-	-	-
Subordinated loans	350	816	1,166	350	624	974
Income statement						
Interest and similar income	23	-	23	11	-	11
Interest payable	(37)	(50)	(87)	(35)	(38)	(73)

Directors' remuneration

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

	2008 £ 000's	2007 £ 000's
Salaries and other short- term benefits	34	29
Post-employment benefits	-	-
Share-based payments	13	25
	<u>47</u>	<u>54</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 2 of the Directors (2007: 3). All three of the Directors (2007: 4) of the Company participate in Citigroup share plan. None of the Directors hold share options (2007:2) and during the year, none of the Directors (2007: 2) exercised options. The emoluments for the highest paid Director were £0.04 million (2007: £0.04 million) with £0.01 million (2007: £0.02 million) being share based compensation and accrued pension of nil (2007: nil). During the year, the highest paid Director did not exercise share options.

Directors' emoluments are borne by another group company.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. 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 2008 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. A portion of the Company's funding is received in euros. This has then been used to provide Euro denominated funding to a subsidiary thus resulting in a natural Euro hedge.

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

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. 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 Group and is chaired by the CFO for the EMEA region. This forum is composed of the 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
2008				
Assets				
Loans and advances to banks	51	-	434	485
All other assets	55	-	2,712	2,767
Total assets	<u>106</u>	<u>-</u>	<u>3,146</u>	<u>3,252</u>
2007 total assets	<u>28</u>	<u>-</u>	<u>2,828</u>	<u>2,856</u>
Liabilities				
Deposits by banks	16	-	-	16
Amounts due to group undertakings	24	-	-	24
Subordinated loan notes	-	-	1,166	1,166
All other liabilities and equity	2,046	-	-	2,046
Total liabilities and equity	<u>2,086</u>	<u>-</u>	<u>1,166</u>	<u>3,252</u>
2007 total liabilities and equity	<u>1,882</u>	<u>-</u>	<u>974</u>	<u>2,856</u>
 2008 net liquidity gap	(1,980)	-	1,980	-
2007 net liquidity gap	(1,854)	-	1,854	-

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. 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
2008					
Liabilities					
Deposits by banks	-	18	-	-	18
Amount due to group undertakings	-	25	-	-	25
Subordinated loan notes	21	64	429	2,132	2,646
	<u>21</u>	<u>107</u>	<u>429</u>	<u>2,132</u>	<u>2,689</u>
2007					
Liabilities					
Deposits by banks	-	22	-	-	22
Amount due to group undertakings	-	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>

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

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+.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial instruments and risk management (continued)

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. Information about operational risk, historical losses and the control environment is reported and summarised for the Audit Committee, Senior Management and for the Directors.

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.

16. Post balance sheet events

On 31 May 2009 the Company contributed the issued share capital of Quilter Holdings Limited ("Quilter") to a joint venture in consideration for a membership interest in Morgan Stanley Smith Barney Holdings LLC. On the same day the Company transferred its membership interest for a cash consideration of £82 million. The loss on sale to the Company is expected to be £28 million.

On 14 October 2009 the Company placed its subsidiary ACONA into liquidation. Its subsidiaries will be taken under direct ownership of the Company. On dissolution of ACONA the Company estimates that it will have a loss on liquidation of £99 million.

17. Parent companies

The Company is a subsidiary undertaking of COIC, 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 made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from www.citigroup.com/citi/corporategovernance/ar.htm.