Citibank Investments Limited

(Registered Number: 01911126)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

DIRECTORS' REPORT

for the year ended 31 December 2016

The Directors present their Report and the audited financial statements of Citibank Investments Limited ("the Company") for the year ended 31 December 2016.

The words "Citigroup" and "Citi" are used interchangeably throughout this document and both refer to Citigroup Inc.

Business environment

The Company is a wholly-owned indirect subsidiary of Citigroup Inc. and during the year acted as a holding company for subsidiary undertakings of Citibank, N.A. in the United Kingdom, including those related to Citigroup's legacy consumer business (which no longer offer products to customers) and a number that are currently in liquidation. The only operating subsidiary currently held by the Company outside of Citigroup's legacy consumer business is Citigroup Centre 1 Limited, which offers office accommodation to other Citigroup entities.

The Company's indirect subsidiary, CitiFinancial Europe Plc. ("CFE"), had the principal activity of providing mortgage and personal instalment loans and credit cards in the United Kingdom. CFE has not offered any new products since May 2008 and, as at 31 December 2016, no longer holds any consumer portfolio assets.

Canada Square Operations Limited ("CSOL"), an indirect associate of the Company as at 31 December 2016, ceased to offer mortgage loans with effect from June 2008, personal instalment loans with effect from November 2009, credit cards with effect from April 2011 and savings accounts with effect from October 2011. Throughout the year CSOL offered no products to customers.

The business transacted by these legacy consumer entities falls under the Citi Holdings reporting segment and, in line with that of Citigroup, the strategy has been to continue to wind down Citi Holdings as soon as practicable, in an economically rational manner.

Citi Holdings is an operating segment of Citigroup Inc. incorporating businesses that have delivered a wide array of retail banking, cards, lending, insurance and investment services through a network of local branches, offices and electronic delivery system. The Citi Holdings business services both individual customers as well as small business.

From the first quarter of 2017, Citi Holdings will no longer be reported as a separate business segment, it will be reported as part of Corporate/Other. Corporate/Other includes certain unallocated costs of global staff functions (including finance, risk, human resources, legal and compliance), other corporate expenses and unallocated global operations and technology expenses, Corporate Treasury and discontinued operations.

Going concern basis

The financial statements have been prepared on a going concern basis taking into account the Company's existing capital and the ultimate reliance on support from the Company's parent. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. Given the Company's ultimate reliance on the support of the parent, please refer to the risk factors impacting Citigroup Inc. from its 2016 annual report, on form 10-K at http://www.citigroup.com/citi/investor/sec.htm.

Further information relevant to this assessment is provided in the following sections of these financial statements:

- principal activities, strategic direction and challenges and uncertainties are described in the business review section of the Strategic Report;
- a financial summary, including the income statement and balance sheet, is provided in the financial results section on pages 10 to 29; and
- objectives, policies and processes for managing liquidity, credit and operational risk, and the Company's approach to capital management and allocation, are described in Note 14 – 'Financial instruments and risk management'.

DIRECTORS' REPORT

for the year ended 31 December 2016

Consolidation

The Company has applied the exemption in section 401 of the Companies Act 2006 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 the 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 16 – 'Parent companies'.

Post Balance Sheet Events

On 24 March 2017, the Company received a capital contribution totaling £43,500,000 from its immediate parents, £30,450,000 from Citibank Overseas Investment Corporation ("COIC") and £13,050,000 from Citi Investments Bahamas Ltd.

On 24 March 2017, the Company paid a £43,500,000 capital contribution to Citigroup Centre 1 Limited, a 100% subsidiary of the Company.

On 28 April 2017, Citi (UK) Pension Trustee Limited, on 5 June 2017, Citi Pensions & Trustees Limited and on 8 September 2017 Citicorporate Limited, all 100% subsidiaries of the Company were placed into liquidation.

On 17 May 2017, the Company converted its existing 45,970,355 6.5% fixed rate cumulative redeemable preference shares of £1 each and the 25,000,000 8% non-cumulative preference shares of £1 each into ordinary shares of £1 each. Following this conversion, by means of a bonus issue, the Company allotted 53,044,785 fully-paid ordinary shares of £1 each at par with no share premium to the existing shareholders of the Company.

On 19 May 2017, the Company reduced its existing share capital from £162,130,009 divided into 162,130,009 ordinary shares of £1 each, to £500,000, divided into 500,000 ordinary shares of £1 each, by cancelling and extinguishing 48,489,003 ordinary shares of £1 each which are registered in the name of Citi Investments Bahamas Ltd., and 113,141,006 ordinary shares of £1 each which are registered in the name of Citibank Overseas Investment Corporation.

On 19 May 2017, following the above capital restructurings, the Company transferred 100% of its interest in CitiFinancial Holdings Limited ("CFHL") to Citi Overseas Holdings Bahamas Limited ("COHBL") via a dividend in specie.

On 28 August 2017, Citiloans Limited, a 100% subsidiary of the Company was dissolved.

Dividends

The Company paid no dividends during the year (2015: £nil).

Risk Management

The financial risk management objectives and policies and the exposure to liquidity risk, credit risk and operational risk of the Company have been disclosed in Note 14 – 'Financial instruments and risk management'.

DIRECTORS' REPORT

for the year ended 31 December 2016

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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. Under that law they have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that year. In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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

Throughout the year and at the date of this report the Company is party to a group-wide indemnity policy which benefits all of its current Directors and is a qualifying third party indemnity provision for the purpose of section 236 of the Companies Act 2006.

Directors

The following Directors held office at 31 December 2016:

B J Gans
D I Sharland
P McCarthy

Employees

The Company had no employees during the current or preceding year. Services are provided to the Company by employees of other Citigroup companies.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Political contributions

No political contributions were made during the year (2015: none).

DIRECTORS' REPORT

for the year ended 31 December 2016

Disclosure of information to auditors

In accordance with section 418, Companies Act 2006 and subject to all the provisions of section 418, 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/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board:

S J Cumming
Secretary

29 September 2017

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB
Registered Number: 01911126

STRATEGIC REPORT

for the year ended 31 December 2016

The Directors present their Strategic Report of the Company for the year ended 31 December 2016.

Overview and principal activities

During the year, the Company was a holding company for subsidiary undertakings of Citibank, N.A. in the United Kingdom, including those related to Citigroup's legacy consumer business (which no longer offer products to customers) and a number that are currently in liquidation. The only operating subsidiary currently held by the Company outside of Citigroup's legacy consumer business is Citigroup Centre 1 Limited, which offers office accommodation to other Citigroup entities.

The Company's indirect subsidiary, CFE had the principal activity of providing mortgage and personal instalment loans and credit cards in the United Kingdom. CFE has not offered any new products since May 2008 and, as at 31 December 2016, no longer holds any consumer portfolio assets.

CSOL, an indirect associate of the Company as at 31 December 2015, ceased to offer mortgage loans with effect from June 2008, personal instalment loans with effect from November 2009, credit cards with effect from April 2011 and savings accounts with effect from October 2011. Throughout the year CSOL offered no products to customers.

The business transacted by these legacy consumer entities falls under the Citi Holdings reporting segment and, in line with that of Citigroup, the strategy has been to continue to wind down Citi Holdings, as soon as practicable, in an economically rational manner.

Citi Holdings is an operating segment of Citigroup Inc. incorporating businesses that have delivered a wide array of retail banking, cards, lending, insurance and investment services through a network of local branches, offices and electronic delivery system. The Citi Holdings business services both individual customers as well as small business.

From the first quarter of 2017, Citi Holdings will no longer be reported as a separate business segment, it will be reported as part of Corporate/Other. Corporate/Other includes certain unallocated costs of global staff functions (including finance, risk, human resources, legal and compliance), other corporate expenses and unallocated global operations and technology expenses, Corporate Treasury and discontinued operations.

Business review and results

The Company's performance is primarily affected by the profitability of its subsidiaries and associates. During the year, the results of the Company's subsidiaries and associates have been impacted by the challenging operating environment and continuing uncertainty over the level of Payment Protection Insurance ("PPI") claims. The Company believes the number of PPI complaints, the amount of refunds and the impact on the Company could remain volatile and are subject to continued uncertainty.

The main challenges facing the Company surround the recoverability of its investments and ensuring that they have appropriate capital and liquidity. Note 14 – 'Financial instruments and risk management' to the financial statements provides information on some of the key risks to which the Company is exposed.

The Company made a loss before income tax of £79 million compared to a loss of £50 million in the previous year. The loss in the current year was mainly driven by a significant impairment charge to the Company's investments in subsidiary undertakings and associate undertakings of £82 million. The loss in the prior year was due to the impairment charges incurred on the Company's investments in subsidiary undertakings totalling £78 million, which was offset by a dividend received from Citigroup Property Limited ("CPL") and Volbroker.com totalling £21 million.

The impairment in subsidiaries was mainly driven by a significant impairment charge on its investment in CitiFinancial Holdings Limited ("CFHL"), the holding company of CFE and CSOL and on its investment in CitiFinancial Corporation Limited ("CFCL"), a holding company of CFHL. The impairment in subsidiaries and associates in the prior year was also related to these investments. The impairment in CFCL and CFHL in the current year and in the prior year was driven by the impact of customer remediation programmes in connection with PPI.

STRATEGIC REPORT

for the year ended 31 December 2016

***Business review and results** (continued)*

Payment Protection Insurance (PPI)

The mis-selling of PPI by financial institutions in the UK has been, and continues to be, the subject of intense review and focus by UK regulators, particularly the Financial Conduct Authority ("FCA"). The FCA has found certain problems across the industry with how these products were sold, including customers not realising that the cost of PPI premiums was being added to their loan or PPI being unsuitable for the customer.

PPI is designed to cover a customer's loan repayments if certain events occur, such as long-term illness or unemployment. Prior to 2008, certain Citi legacy UK consumer finance businesses, including an indirect subsidiary of the Company, CFE, and an indirect associate of the Company, CSOL, engaged in the sale of PPI. While Citi has disposed of these businesses it generally remains subject to customer complaints for, and retains the potential liability relating to, the sale of PPI by these businesses.

During the fourth quarter of 2014, the UK Supreme Court issued a ruling in a case (Plevin) involving PPI pursuant to which the court ruled, independent of the sale of the PPI contract, the PPI contract at issue in the case was "unfair" due to the high sales commissions earned and the lack of disclosure to the customer thereof. During the fourth quarter of 2015, the FCA issued a consultation paper that proposed (1) a deadline for PPI complaints (both non-Plevin and Plevin complaints) of two years after the effective date of the final rules; (2) an FCA-led customer communications campaign in advance of the deadline, with bank funding of the campaign; and (3) a failure to disclose a sales commission of 50% or more would be deemed unfair when assessing a new PPI complaint and require a customer refund of the difference between the commission paid and 50%, plus interest.

In the first quarter of 2017, FCA announced final rules and guidance on PPI complaints. The new rule sets a deadline of 29 August 2019 by which consumers will need to make their PPI complaints or lose their right to have them assessed by firms or by the Financial Ombudsman Service. There is a new fee rule on 18 firms to fund this consumer communications campaign, which came into force on 31 March 2017, with the first half of the fee collected one month later.

The increase in the PPI provisions in the Company's indirect investment undertakings during 2016 was primarily due to the continued elevated level of customer complaints driving PPI claim volumes, which the Company believes is largely as a result of the continued regulatory focus and increased customer awareness of PPI issues across the industry.

The Company believes the number of PPI complaints, the amount of refunds and the impact on the Company could remain volatile and are subject to continued uncertainty.

Balance sheet

Total assets of £254 million at 31 December 2016 were 25 per cent lower than of £338 million at 31 December 2015.
The decrease in assets is mainly driven by the liquidation of CitiFin S.r.l., a 100% subsidiary of the Company, causing a decrease of £116 million, and also by the increase in impairment of subsidiary undertakings of £82 million. This was offset by the current tax receivable of £118 million subsumed into the Company upon the liquidation of CitiFin S.r.l.

Until the FCA deems the industry's PPI customer remediation exercise complete, the Company could be required to make further capital contributions into CFCL and CFHL to ensure they are appropriately capitalised.

STRATEGIC REPORT

for the year ended 31 December 2016

Key performance indicators

The Company's Directors consider that the financial results indicated above are the key financial performance indicators for the operations of the Company.

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 business.

Risk management

The financial risk management objectives and policies and the exposure to currencies, liquidity risk, credit risk and operational risk of the Company have been disclosed in the risk management policies on pages 26 to 28.

Future outlook

The Company's strategy is to continue to act as a holding company. The Company expects conditions in 2017 to remain uncertain and that PPI compensation arrangements could continue to have an impact on future results.

By order of the Board

David Sharland

D I Sharland
Director

29 September 2017

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB
Registered Number: 01911126

INDEPENDENT AUDITOR'S 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 2016 set out on pages 10 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.cfm.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Namrata Basker (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London, E14 5GL
29 September 2017

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Note	2016 £ Million	2015 £ Million
Interest expense and similar charges		-	(1)
Net interest expense		-	(1)
Dividend income	3	-	21
Other operating income		-	8
Other operating expense		(17)	-
Total operating (loss)/income		(17)	28
Impairment of investments	8,9	(82)	(78)
Write-back of impairment loss on investment in a subsidiary	5	9	-
Gain on liquidation of a subsidiary	5	11	-
Loss before income tax		(79)	(50)
Income tax	6	-	-
Loss for the year		(79)	(50)
Total comprehensive loss for the year		(79)	(50)

The accompanying notes on pages 14 to 29 form an integral part of these financial statements.

. CITIBANK INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	2016 £ Million	2015 £ Million
Assets			
Cash at bank		14	6
Investments in subsidiary undertakings	**8**	111	309
Investments in associates	**9**	-	1
Amount due from group undertakings		6	22
Current income tax receivable	**6**	118	-
Other assets		5	-
Total assets		254	338
Liabilities			
Bank overdraft		17	-
Amount due to group undertakings		74	96
Subordinated liability	**10**	46	46
Total liabilities		137	142
Equity shareholders' funds			
Share capital	**11**	63	63
Other reserves		53	53
Retained earnings		1	80
Total equity shareholders' funds		117	196
Total liabilities and equity shareholders' funds		254	338

The accompanying notes on pages 14 to 29 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 September 2017 and were signed on its behalf by:

David Sharland

D I Sharland
Director

Registered Number: 01911126

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital £ Million	Other reserves £ Million	Retained earnings £ Million	Total £ Million
Balance at 1 January 2015	63	53	130	246
Loss for the year	-	-	(50)	(50)
Balance at 31 December 2015	63	53	80	196
Loss for the year	-	-	(79)	(79)
Balance at 31 December 2016	63	53	1	117

The accompanying notes on pages 14 to 29 form an integral part of these financial statements.

CITIBANK INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Note	2016 £ Million	2015 £ Million
Cash flow from operating activities:			
Loss before income tax		(79)	(50)
Adjustments for:			
Impairment of investments	**8,9**	82	78
Write-back of impairment loss on investment in subsidiary	**8**	(9)	-
Dividends received		-	(21)
Liquidation of subsidiary undertakings, net asset subsumed	**5**	137	-
Gain on liquidation of subsidiary	**5**	(11)	-
Net (increase)/decrease in operating assets:			
Amounts due from group undertakings		16	(20)
Current income tax receivable	**6**	(118)	-
Other assets		(5)	-
Net (decrease)/increase in operating liabilities:			
Amounts due to group undertakings		(22)	(4)
Net cash used in operating activities		(9)	(17)
Cash flow from investing activities:			
Dividend income received		-	21
Net cash generated from investing activities		-	21
Net (decrease)/increase in cash and cash equivalents		(9)	4
Cash and cash equivalents at the beginning of the year		6	2
Cash and cash equivalents at the end of the year		(3)	6

Cash and cash equivalents include bank overdrafts with original maturity of less than three months.

The accompanying notes on pages 14 to 29 form an integral part of these financial statements.

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 EU.

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 presented in Pound Sterling ("£") and all values are rounded to the nearest million pounds, except where otherwise indicated.

The financial statements have been prepared on a going concern basis taking into account the ultimate reliance on support from the Company's parent. The risks and uncertainties identified by the Company are discussed further in the Strategic Report on pages 6 to 8. Taking these risk 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. Given the Company's ultimate reliance on the support of our parent, please refer to the risk factors impacting Citigroup Inc. from its 2016 annual report, on form 10-K at http://www.citigroup.com/citi/investor/sec .htm .

b) Changes in accounting policy and disclosures

Standards issued but not yet effective

There are a number of accounting standards that have been amended by the International Accounting Standards Board ("IASB"), but which are not yet effective for the Company's financial statements, the Company does not plan on early adoption of these standards, they include:

- **IFRS 15 – Revenue from Contracts with Customers.** In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. IFRS 15 will be effective from 1 January 2018, and was adopted by the EU on 22 September 2016. The Company is assessing the potential impact on its financial statements resulting from the issued standard.

- **IFRS 16 – Leases.** In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will be effective from 1 January 2019 and subject to EU adoption. The Company is assessing the potential impact on its financial statements resulting from the issued standard.

- **IFRS 9 – Financial Instruments**

  Introduction
  The new standard includes a new model for classification and measurement of financial assets, a forward-looking 'expected loss' impairment model for debt instruments and a substantially reformed approach to hedge accounting. The change of approach to hedge accounting is not considered applicable to the Company
  as it does not apply hedge accounting. The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective from 1 January 2018, with early adoption permitted and adopted by the EU as at 22 November 2016.

1. Principal accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

- **IFRS 9 – Financial Instruments** (continued)

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest ("SPPI")).

The IAS 39 measurement categories will be replaced by: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

For financial liabilities, IFRS 9 largely retains the pre-existing requirements for classification and measurement previously included in IAS 39. However, under IFRS 9 fair value changes on financial liabilities which are designated at fair value through profit or loss that are attributable to changes in the credit risk of the liability will be presented in other comprehensive income.

Impairment

IFRS 9 introduces an expected credit loss ("ECL") impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in earlier recognition of credit losses.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortised cost financial assets, debt securities classified as FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Expected credit loss impairment model

Under IFRS 9, credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model.

The recognition and measurement of impairment is intended to be more forward looking than under IAS 39. The estimation of an ECL is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate will also consider the time value of money.

Transition

The impairment and classification and measurement requirements of IFRS 9 will be applied retrospectively by adjusting the Company's Balance Sheet at 1 January 2018, the date of initial application of IFRS 9, with the difference between previous carrying amounts and carrying amounts at initial application recognised in retained earnings. There is no requirement to restate comparative periods other than for hedge accounting.

The impact of IFRS 9 on the financial statements of the Company is still being assessed.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

- **Annual Improvements**

  The IASB has published a number of minor amendments to IFRSs in the 'Annual Improvements to IFRSs 2012-2014' and in a series of stand-alone amendments, one of which has not yet been endorsed for use in the EU. The Company has not early adopted any of the amendments effective after 31 December 2016 and the Company is still assessing the potential impact, if any, on its financial statements.

c) Consolidation

The Company has applied the exemption in section 401 of the Companies Act 2006 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 the 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 16.

d) Foreign currencies

The financial statements are presented in Pounds Sterling ("£"), which is the presentational currency of the Company. At the balance sheet date, foreign currency 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. Any exchange profits and losses are taken to the income statement.

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. The effective interest rate ("EIR") is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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 that the Company does not intend to sell 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

g) Financial assets and liabilities (continued)

Financial liabilities
Subordinated liabilities 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) Investments 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 investments in subsidiaries or associates are impaired. Investments are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the investment and prior to the balance sheet date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the investment that can be reliably estimated.

Tests for impairment are carried out annually or more frequently if events or changes in circumstance indicate that it might be impaired. If, in a subsequent year, management consider that part or all of the impaired investment in subsidiary and associate undertakings become recoverable, the previously recognised impairment loss is reversed and is recognised in the income statement up to an amount not exceeding the recoverable amount.

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.

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) Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturity of less than three months, including: cash and bank overdraft.

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 the impairment of investments.

Impairment of investments in subsidiary and associate undertakings

The Company reviews the recoverability of its investments in subsidiary undertakings at the year-end by comparing the value of the net asset value of its investments to the carrying amount of its investments.

3. Dividend income

	2016 £ Million	2015 £ Million
Equity shares	-	21

The Company did not receive any dividend during 2016 (2015: £21 million).

4. Auditor's remuneration

Auditor's remuneration in relation to the audit of the Company amounted to £26,460 (2015: £15,510). The auditors' remuneration for these financial statements is paid by Citibank Europe Plc.

5. Gain on liquidation of subsidiary

The gain on liquidation of CitiFin S.r.l. was as follows:

	2016 £ Million
Net asset value upon liquidation	137
Net carrying value upon liquidation	(117)
Write-back of prior years' impairment on investment	(9)
	11

On 6 December 2016, CitiFin S.r.l., a 100% subsidiary of the Company was liquidated, and its balances were subsumed into the Company. Accumulated impairment loss on investment in the subsidiary amounted to £9 million has been written back during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

6. Tax on loss on ordinary activities

a) Analysis of tax charge for the year

There was no tax charge incurred during the year (2015: £nil).

b) Factors affecting tax charge for the year

	2016 £ Million	2015 £ Million
Loss before tax	(79)	(50)
Loss multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(16)	(10)
Effects of:		
Expenses not deductible for tax purposes	15	11
Utilisation of losses carried forward	(2)	(1)
Effects of group relief surrendered for no consideration	3	
Current charge for the year (Note 6a)	-	-

The main rate of corporate tax in the UK was reduced from 21% to 20% on 1 April 2015. This results in a weighted average rate of 20.00% for 2016 (2015: 20.25%).

Finance Act 2016 provides that the corporation tax rate will reduce to 19% from 1 April 2017 and further to 17% from 1 April 2020.

As at 31 December 2016, the Company had an unrecognised deferred tax asset of £34 million (2015: £36 million). This has not been recognised on the grounds that there is insufficient evidence that it is probable that future taxable profits will be available against which the deductible temporary differences could be utilised.

The Company also has an unrecognised deferred tax asset of £34 million (£47 million) in respect of carried forward capital losses. No deferred tax asset has been recognised on these capital losses as it is not probable that there will be future taxable capital gains against which these losses can be utilised. In the period some capital losses have been utilised against a capital gain incurred by another group company. No payment was received for use of these losses.

The Company has a current income tax receivable balance of £118 million as at 31 December 2016. The receivable was subsumed into the Company from the subsidiary CitiFin S.r.l. upon its liquidation on 6 December 2016, together with all of its balances.

7. Financial assets and liabilities

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

2016	Loans and receivables £ Million	Other amortised cost £ Million	Total carrying amount £ Million	Fair value £ Million
Assets				
Cash at bank	14	-	14	14
Amounts due from group undertakings	-	6	6	6
Other assets	-	5	5	5
Total financial assets	14	11	25	25
Liabilities				
Bank overdraft	17	-	17	17
Amount due to group undertakings	-	74	74	74
Subordinated liability	-	46	46	43
Total financial liabilities	17	120	137	134

2015	Loans and receivables £ Million	Other amortised cost £ Million	Total carrying amount £ Million	Fair value £ Million
Assets				
Cash at bank	6	-	6	6
Amounts due from group undertakings	-	22	22	22
Other assets	-	-	-	-
Total financial assets	6	22	28	28
Liabilities				
Bank overdraft	-	-	-	-
Amount due to group undertakings	-	96	96	96
Subordinated liability	-	46	46	43
Total financial liabilities	-	142	142	139

The calculation of fair value incorporates the Company's estimate of the fair value of financial assets and financial liabilities. It does not reflect the economic benefits and costs that the Company expects to flow from the instruments' cash flows over their expected future lives. Other entities may use different valuation methods and assumptions in determining fair values, so comparisons of fair values between entities may not necessarily be meaningful.

Fair value information

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realisation. The carrying value has been disclosed as fair value where discounting does not have a material impact on the carrying value of the financial instrument.

7. Financial assets and liabilities (continued)

Fair Value Measurement

IFRS 13 – *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Among other things, the standard requires the Company to maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

Fair Value Hierarchy

IFRS 13 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices for *identical* instruments in active markets.
- Level 2: Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are *observable* in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

Estimated fair value of financial instruments not carried at fair value

The carrying value of the Company's financial instruments are considered to be a reasonable approximation of fair value due to their short term and being mainly cash in nature.

The exception being the subordinated liability which is estimated to have a fair value of £43 million (Carrying value £46 million) and is considered to be classified as level 3 in the fair value hierarchy.

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. Where market rates are used an adjustment is made for the Citigroup credit spread.

8. Investments in subsidiary undertakings

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

	2016 **£ Million**	**2015** **£ Million**
At 1 January	309	387
Net carrying value of CitiFin S.r.l. upon liquidation	(116)	-
Impairment	(82)	(78)
At 31 December	111	309

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in subsidiary undertakings (continued)

Impairment

In 2016, the Company impaired its investment in subsidiaries by £81 million. The impairments were to CitiFinancial Corporation Limited ("CFCL"), CitiFinancial Holdings Limited ("CFHL") and Citigroup Centre 1 Limited ("CGC1") of £35 million, £44 million and £2 million respectively.

In 2015, the Company impaired its investment in subsidiaries by £78 million. The impairments were to CitiFinancial Corporation Limited ("CFCL"), CitiFinancial Holdings Limited ("CFHL"), CPL, Citigroup Centre 1 Limited ("CGC1") and CitiFin S.r.l. of £23 million, £29 million, £18 million, £1 million and £7 million respectively.

Details of principal Company subsidiary undertakings held at 31 December 2016 as required by section 409 of the Companies Act are set out below. All have a year end of 31 December and a registered address of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, except for Citiloans Limited, which has a registered address of C/O Bdo Llp, 55 Baker Street, London, W1U 7EU.

Name	**Nature of business**	**% holding in share capital 2016**	**2015**
CitiFinancial Corporation Limited	Holding company of consumer banking business	100.00%	100.00%
Citigroup Centre 1 Limited	Provision of office accommodation	100.00%	100.00%
CitiFinancial Holdings Limited	Holding company of consumer banking business	55.41%	55.41%
Citiclient Nominees No. 8 Limited	Bare trustee	100.00%	100.00%
Citifriends Nominee Limited	Bare trustee	100.00%	100.00%
Citivic Nominees Limited	Bare trustee	100.00%	100.00%
Citibank London Nominees Limited	Bare trustee	100.00%	100.00%
CUIM Nominee Limited	Bare trustee	100.00%	100.00%
National City Nominees Limited	Bare trustee	100.00%	100.00%
N.C.B. Trust Limited	Bare trustee	100.00%	100.00%
Citicorporate Limited	Bare trustee	100.00%	100.00%
Citi Pensions & Trustees Limited	Trustee	100.00%	100.00%
Citi (UK) Pension Trustee Limited	Trustee	100.00%	100.00%
Citiloans Limited	In liquidation	100.00%	100.00%

On 2 March 2016, Citigroup Property Limited, and on 6 December 2016 CitiFin S.r.l. were liquidated.

As at 31 December 2016, Citiloans Limited was in liquidation, and was dissolved on 28 August 2017.

On 28 April 2017, Citi (UK) Pension Trustee Limited, on 5 June 2017, Citi Pensions & Trustees Limited and on 8 September 2017 Citicorporate Limited were placed into liquidation.

On 19 May 2017, following the capital restructurings referred to in the Directors Report, the Company transferred 100% of its interest in CFHL to Citi Overseas Holdings Bahamas Limited ("COHBL") via a dividend in specie.

NOTES TO THE FINANCIAL STATEMENTS

9. Investments in associates

The Company's investments in associates as at 31 December 2016 represent a 20.52% (2015: 20.52%) holding in Volbroker.Com Limited, registered in England and Wales.

As at the year end, the issued equity capital of Volbroker.Com Limited was £1,847,146 (2015: £1,847,146).

For the year ended 31 December 2016, the Company's share of profit of Volbroker.Com Limited was £0.3 million (2015: £0.6 million).

Impairment

In 2016, the Company impaired its investment in Volbroker.Com Limited by £1 million.

Summarised aggregate financial information on associates

Volbroker.Com Limited	**2016** **£ Million**	**2015** **£ Million**
Assets	6	5
Liabilities	-	-
Revenues	2	4
Profit	2	3

The movement in the Company's investments in associate undertakings was as follows:

	2016 **£ Million**	**2015** **£ Million**
At 1 January	1	1
Impairment	(1)	-
At 31 December	-	1

NOTES TO THE FINANCIAL STATEMENTS

10. Subordinated liability

	2016 £ Million	2015 £ Million
Amounts due after 5 years		
Preference shares	46	46
Issued		
45,970,355 6.5% fixed rate cumulative redeemable preference shares of £1 each	46	46

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. Based on the adoption of IAS 32 from 1 January 2005 these preference shares were classified as debt instruments, as they are redeemable by the Company by 31 December 2025.

11. Share capital

Allotted, called-up and fully paid	2016 £ Million	2015 £ Million
38,114,869 (2015: 38,114,869) sterling ordinary shares of £1 each	38	38
25,000,000 8 % non-cumulative preference shares of £1 each	25	25
	63	63

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

The 8% Fixed Rate Non-Cumulative Preference Shares receive a fixed non-cumulative preferential dividend of 8% per annum. They rank for payment in priority to the Ordinary Shares but behind the 6.5% Fixed Rate Cumulative Redeemable Preference Shares. The 8% Fixed Rate Non-Cumulative Preference Shares shall not entitle the holders thereof to any further or other right of participation in the profits of the Company. The 8% Fixed Rate Non-Cumulative Preference Shares have the same voting rights as the ordinary shares.

12. Related party transaction

The Company is a 70% owned subsidiary of Citibank Overseas Investment Corporation, which is incorporated in the United States of America. Citi Investments Bahamas Ltd owns the remaining 30%. 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.

12. Related party transaction (continued)

2016	**Parent undertaking £ Million**	**Subsidiary undertakings £ Million**	**Other Citigroup undertakings £ Million**	**Total £ Million**
Assets				
Cash at bank	-	-	14	14
Amounts due from group undertakings	-	-	6	6
Liabilities				
Bank overdraft	-	-	17	17
Amount due to group undertakings	-	-	74	74
Subordinated liability	46	-	-	46
Income statement				
Interest expense and similar charges	-	-	-	-
Other operating charges	-	-	(17)	(17)

2015	**Parent undertaking £ Million**	**Subsidiary undertakings £ Million**	**Other Citigroup undertakings £ Million**	**Total £ Million**
Assets				
Cash at bank	-	-	6	6
Amounts due from group undertakings	-	22	-	22
Liabilities				
Bank overdraft	-	-	-	-
Amount due to group undertakings	-	-	96	96
Subordinated liability	46	-	-	46
Income statement				
Interest expense and similar charges	-	-	(1)	(1)
Other operating charges	-	-	8	8

13. Directors' remuneration

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

	2016 £ '000	**2015 £ '000**
Salaries and other short-term benefits Post-	78	70
employment benefits	15	7
Share-based payments	31	46
	124	123

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

13. Directors' remuneration (continued)

Contributions to defined benefit and money purchase schemes are accruing to three of the Directors (2015: three). Three of the Directors (2015: three) of the Company participate in Citigroup share plan. None of the Directors hold share options (2015: three) and during the year, none of the Directors (2015: three) exercised options. The emoluments for the highest paid Director were £53 thousand (2015: £59 thousand) with £17 thousand (2015: £28 thousand) being share based compensation and accrued pension of £14 thousand (2015: £1 thousand).

Directors' emoluments are borne by another group company.

14. Financial instruments and risk management

Objectives, policies and strategies

Financial instruments are fundamental to the Company's and its subsidiaries' and associates' business and constitute a core element of its operations. Financial instruments create, modify or reduce the liquidity, credit and market risk of the Company's balance sheet.

The objective of using financial instruments for financing purposes is to manage the Company's balance sheet in terms of minimising market risk and to support liquidity management. Responsibility for overseeing and implementing balance sheet management lies with the Company's Treasury department.

Risk management

The following sections summarise the processes that were in place during 2016 for managing the Company's major risks.

Currency exposures

The main operating currency of the Company is Pounds Sterling ("£"). Transactional currency exposures occur as a result of normal operations and/or cross-border intercompany transactions. The Company's Treasury department monitor the impact of currency exposures closely.

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 to seek 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 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.

NOTES TO THE FINANCIAL STATEMENTS

14. Financial instruments and risk management (continued)

Liquidity risk (continued)

2016	1 year or less £ Million	Greater than 5 years £ Million	Total £ Million
Assets			
Cash at bank	14	-	14
Amount due from group undertakings	6	-	6
All other assets	123	111	234
2016 total assets	143	111	254
2015 total assets	28	310	338
Liabilities and equity			
Bank overdraft	17	-	17
Amount due to group undertakings	74	-	74
Subordinated liability	-	46	46
All other liabilities and equity	-	117	117
2016 total liabilities and equity	91	163	254
2015 total liabilities and equity	96	242	338
2016 net liquidity gap	(52)	52	-
2015 net liquidity gap	(68)	68	-

The table below analyses the Company's liabilities into relevant maturity groupings based on the remaining contractual future undiscounted cash flows up to maturity. 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.

2016	3 months or less £ Million	Greater than 5 years £ Million	Total £ Million
Liabilities			
Bank overdraft	17	-	17
Amount due to group undertaking	74	-	74
Subordinated liability	-	46	46
	91	46	137
2015			
Liabilities			
Bank overdraft	-	-	-
Amount due to group undertaking	96	-	96
Subordinated liability	-	46	46
	96	46	142

14. 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.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct in which Citigroup is involved.

Framework

Citigroup's global operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognised ownership of the risk by the businesses;
- oversight by Citigroup's independent risk management and control functions; and
- independent assessment by Citigroup's Internal Audit function.

The goal is to keep operational risk at appropriate levels relative to the characteristics of the Company's businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment.

Capital management

Regulatory capital

The Company's indirect subsidiary, CFE, was a MIPRU regulated entity supervised by the FCA on a standalone basis. On 26 January 2016, CFE had its regulatory licence withdrawn by the FCA. As at 31 December 2016, CFE no longer undertook any regulatory business activities.

15. Post balance sheet events

On 24 March 2017, the Company received a capital contribution totalling £43,500,000 from its immediate parents, £30,450,000 from COIC and £13,050,000 from Citi Investments Bahamas Ltd.

On 24 March 2017, the Company paid a £43,500,000 capital contribution to Citigroup Centre 1 Limited, a 100% subsidiary of the Company.

On 28 April 2017, Citi (UK) Pension Trustee Limited, on 5 June 2017, Citi Pensions & Trustees Limited and on 8 September 2017 Citicorporate Limited, all 100% subsidiaries of the Company were placed into liquidation.

On 17 May 2017, the Company converted its existing 45,970,355 6.5% fixed rate cumulative redeemable preference shares of £1 each and the 25,000,000 8% non-cumulative preference shares of £1 each into ordinary shares of £1 each. Following this conversion, by means of a bonus issue, the Company allotted 53,044,785 fully-paid ordinary shares of £1 each at par with no share premium to the existing shareholders of the Company.

15. Post balance sheet events (continued)

On 19 May 2017, the Company reduced its existing share capital from £162.130.009 divided into 162,130,009 ordinary shares of £1 each, to £500.000. divided into 500,000 ordinary shares of £1 each, by cancelling and extinguishing 48,489,003 ordinary shares of £1 each which are registered in the name of Citi Investments Bahamas Ltd., and 113,141,006 ordinary shares of £1 each which are registered in the name of Citibank Overseas Investment Corporation.

On 19 May 2017, following the above capital restructurings, the Company transferred 100% of its interest in CFHL to COHBL via a dividend in specie.

On 28 August 2017, Citiloans Limited, a 100% subsidiary of the Company was dissolved.

16. Parent companies

The Company is a 70% owned subsidiary of Citibank Overseas Investment Corporation, registered at One Penns Way, New Castle, DE 19720, United States of America. Citi Investments Bahamas Ltd., registered at 110 University Drive, Nassau, Bahamas, owns the remaining 30% of the Company.

The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc., a company registered at 1209 Orange Street, Wilmington, New Castle, DE 19810, United States of America. 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/investor/overview.html.