

CITIBANK INVESTMENTS LIMITED

(Registered Number: 01911126)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2014

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CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2014

The Directors present their Report and the audited financial statements of Citibank Investments Limited ("the Company") for the year ended 31 December 2014.

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

Business environment

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, 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 2014, no longer holds any consumer portfolio assets.

Canada Square Operations Limited (CSOL), an indirect associate of the Company as at 31 December 2014, 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. As at the year end, CSOL offers no products to customers.

The business transacted by these 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.

In 2014, Citigroup undertook a reorganisation of several UK legal vehicles within its group structure. The primary aim of this reorganisation was to place Citibank International Limited and Citibank Europe Plc under a common parent, with the intention of a cross-border merger between the two companies. Furthermore, the reorganisation aimed to simplify the bank legal entity structure and segregate on-going operations from legacy consumer businesses as assets within Citi Holdings have been sold to third parties and legacy consumer operations continue to be wound down.

Please see 'Overview and principal activities' of the Strategic Report on page 6 for further information.

Change of parent

On 24 November 2014, as part of the intra-group reorganisation mentioned above, the entire issued share capital and subordinated liability (consisting of fixed rate cumulative redeemable preference shares) of the Company were transferred from Citi Holdings Bahamas Limited (CHBL) to Citibank Investments Bahamas Limited (CIBL) and Citibank Overseas Investment Corporation (COIC). The transfer took place as follows;

Transferor	Transferee	Share transferred
CHBL	CIBL	11,434,461 Ordinary Shares £1 each
CHBL	CIBL	7,500,000 8% Fixed Rate Non-Cumulative Preference Shares of £1 each
CHBL	CIBL	13,791,107 6.5% Fixed Rate Cumulative Redeemable Preference Shares of £1 each
CHBL	COIC	26,680,408 Ordinary Shares of £1 each
CHBL	COIC	17,500,000 8% Fixed Rate Non-Cumulative Preference Shares of £1 each
CHBL	COIC	32,179,248 6.5% Fixed Rate Cumulative Redeemable Preference Shares of £1 each

As at 31 December 2014 70% of the Company's share capital was held by COIC and 30% by CIBL.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2014

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 2014 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 11 to 31; 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 13 – 'Financial instruments and risk management'.

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 Citigroup Inc. is the ultimate parent of the Company and the consolidated financial statements of Citigroup Inc. have been drawn up in a manner which is equivalent to the requirements of the Seventh Directive of the Bank Accounts Directive. These consolidated accounts give a fair and true view of the financial performance and position of the group.

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 15.

Dividends

The Company paid no dividends during the year.

In the prior year, on 19 December 2013, the Company declared a dividend in specie of £2,398,025,000. The dividend in specie transferred the entire issued share capital of Citibank International Limited (formerly Citibank International Plc) (CIL) and Citicorp Trustee Corporation Limited (CTCL) to CHBL, the parent. The parent, as holder of all three issued classes of shares in the Company, waived its capacity as holder of all of the 6.5% preference shares and 8% preference shares in the Company to its entitlement to the proposed dividends in specie. Accordingly, the dividend in specie was declared to the parent as sole ordinary shareholder on and in respect of the issued ordinary shares of the Company only.

Post balance sheet events

On 15 January 2015, the Company received a dividend of £19 million from Citigroup Property Limited (CPL). CPL was placed into liquidation on 20 February 2015.

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 13 - *Financial instruments and risk management*.

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2014

Statement of Directors' Responsibilities in Respect of the Annual Report and the 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. 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

The following Directors held office at 31 December 2014:

B J Gans
D I Sharland
P McCarthy

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.

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 (2013: none).

CITIBANK INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2014

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 Auditors are 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 Auditors are aware of that information.

Auditor

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

By order of the board:



S J Cumming
Secretary

20 November 2015

Incorporated in England and Wales

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

Registered Number: 01911126

CITIBANK INVESTMENTS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2014

The Directors present their Strategic Report of Citibank Investments Limited (the Company) for the year ended 31 December 2014.

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.

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The business transacted by these 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.

In 2014, Citigroup undertook a reorganisation of several UK legal vehicles within its group structure. The primary aim of this reorganisation was to place Citibank International Limited and Citibank Europe Plc under a common parent, with the intention of a cross-border merger between the two companies. Furthermore, the reorganisation aimed to simplify the bank legal entity structure and segregate on-going operations from legacy consumer businesses as assets within Citi Holdings have been sold to third parties and legacy consumer operations continue to be wound down.

On 21 November 2014, the Company transferred its equity shares in Canada Square Operations Limited ("CSOL"), previously an investment in an associate undertaking, to its subsidiaries CitiFinancial Corporation Limited ("CFCL") and CitiFinancial Holdings Limited ("CFHL"). Further information is provided in the review of the balance sheet during the year as detailed below. CFHL is also the parent company of CFE.

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 expects the operating environment in 2015 to remain challenging for some of its subsidiaries under its ownership.

The main challenges facing the Company are capital and liquidity constraints, while the Company and its subsidiaries and associates have made progress in decreasing the risks arising from their balance sheets via the disposal of its indirect subsidiary Future Mortgages Limited (which until May 2008 provided residential mortgage facilities in the United Kingdom) and through other consumer portfolio disposals by CSOL. Note 13 'Financial instruments and risk management' to the financial statements provide information on some of the key risks to which the Company is exposed.

CITIBANK INVESTMENTS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2014

Business review and results (continued)

The Company made a loss before income tax of £12 million compared to a loss of £56 million in the previous year. The loss in the previous year was driven by a significant impairment charge to the Company's investments in subsidiary undertakings and associates of £59 million compared to a charge in the current year of £23 million.

Payment Protection Insurance (PPI)

The impairment in subsidiaries and associates was primarily in CFE and CSOL. The impairment in these investments was driven by the impact of customer remediation programmes, specifically those in connection with 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 of Citi's legacy UK consumer finance businesses, including an indirect subsidiary of the Company, CFE, and CSOL, engaged in the sale of PPI. While Citi has sold a significant portion of these businesses, and the remaining businesses are in the process of wind down, Citi 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 U.K. Supreme Court issued a ruling in a case 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. As a result of the ruling, on May 27, 2015, the FCA announced that it was considering the court's ruling, including whether additional rules and/or guidance were necessary with respect to the impact of the decision on PPI customer complaints. It is currently uncertain what impact, if any, this recent court decision, the FCA's review or the renewed market attention on PPI will have on PPI customer complaints or Citi's potential liability with respect thereto.

An increase during 2014 in PPI reserves in these entities was primarily due to a continued elevated level of customer complaints on the sale of PPI prior to January 2005, which Citi 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 £392 million at 31 December 2014 were 2 per cent higher than at 31 December 2013 (£384 million).

The increase in assets is driven by cash contributions from the Company's parent that have subsequently been invested in the Company's subsidiary undertakings, resulting in a £32 million increase in investments in subsidiary undertakings compared to the prior year. This was offset by the settlement of intercompany payables of £26 million.

Until the FCA deems the industry's PPI customer remediation exercises complete, the Company could be required to make further capital contributions into the above named subsidiaries to ensure they are appropriately capitalised.

The Company made the following capital contributions to CFCL & CFHL during the year in order to maintain the capital and liquidity of CSOL & CFE due to ongoing PPI claims.

On 24 April 2014, the Company received a capital contribution of £2 million from CHBL. On the same day the Company paid a capital contribution of £0.9 million to CFCL and £1.1 million to CFHL to fund capital contributions paid to CFE.

On 30 May 2014, the Company received a capital contribution of £11 million from CHBL. On the same day, the Company paid a capital contribution of £4.95 million to CFCL and £6.05 million to CFHL to fund capital contributions paid to CFE.

CITIBANK INVESTMENTS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2014

Balance sheet (continued)

On 15 September 2014, the Company received a capital contribution of £26 million from CHBL. On the same day, the Company paid a capital contribution of £11.7 million to CFCL and £14.3 million to CFHL to fund capital contributions paid to CFE.

On 3 February 2014 the Company paid a capital contribution of £9 million to CSOL.

On 30 May 2014 the Company paid a capital contribution of £6 million to CSOL.

On 16 September 2014 the Company paid a capital contribution of £1.5 million to CSOL.

On 21 November 2014, the Company transferred 45% of its 30% ownership in CSOL to CFCL and transferred 55% of its interest in CSOL to CFHL. The transaction resulted in a share transfer of 72,000,000 ordinary shares of £1 each from the Company to CFCL and a share transfer of 88,000,000 ordinary shares of £1 each from the Company to CFHL.

On the same day, CFCL transferred 100% of its interest in CSOL to CFHL.

The share transfers were for nil consideration as the carrying value of CSOL in the Company's books as at the date of the transaction (21 November 2014) was £nil. The Company's investment in CSOL was written down to £nil during the year due to the continuing uncertainty over future PPI liabilities.

As at the year end, CFHL owned 30% of the share capital of CSOL and the Company had no direct interest in CSOL.

Please refer to note 7 – 'Investments in subsidiary undertakings' and note 8 - 'Investments in associates' for further details.

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 market risk, liquidity risk, credit risk and operational risk of the Company have been disclosed in the risk management policies on pages 28 to 31.

CITIBANK INVESTMENTS LIMITED

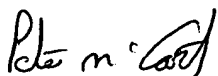
STRATEGIC REPORT

for the year ended 31 December 2014

Future outlook

The Company's strategy is to continue to act as a holding company. The Company expects the operating environment in 2015 to remain challenging and that continuing review of PPI compensation arrangements could continue to have an impact on future results.

By order of the Board

A handwritten signature in black ink, appearing to read 'P McCarthy', is positioned above the printed name and title.

P McCarthy
Director

20 November 2015

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 2014 set out on pages 11 to 31. 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 3, 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 2014 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

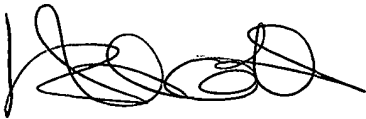
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.



Karyn Nicoll (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

20 November 2015

CITIBANK INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	2014 £ Million	2013 £ Million
Interest expense and similar charges		(1)	-
Net interest expense		(1)	-
Dividend income	3	2	6
Other operating income/(loss)		10	(3)
Total operating income		11	3
Impairment of investments	7,8	(23)	(59)
Loss before income tax		(12)	(56)
Income tax	5	-	-
Loss for the year		(12)	(56)
Total comprehensive loss for the year		(12)	(56)

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

CITIBANK INVESTMENTS LIMITED

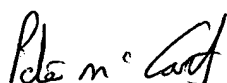
STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	2014 £ Million	2013 £ Million
Assets			
Amount due from group undertaking		2	25
Investments in subsidiary undertakings	7	387	355
Investments in associates	8	1	1
Other assets		2	3
Total assets		<u>392</u>	<u>384</u>
Liabilities			
Amount due to group undertaking		100	119
Subordinated liability	9	46	46
Total liabilities		<u>146</u>	<u>165</u>
Equity shareholders' funds			
Share capital	11	63	63
Other reserves	10	53	14
Retained earnings		130	142
Total equity shareholders' funds		246	219
Total liabilities and equity shareholders' funds		<u>392</u>	<u>384</u>

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2015 and were signed on its behalf by:



P McCarthy
Director

Registered Number: 01911126

CITIBANK INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Share capital £ Million	Other reserves £ Million	Retained earnings £ Million	Total £ Million
Balance at 1 January 2013	1,045	3,391	(1,763)	2,673
Bonus Issuance of shares	3,377	(3,377)	-	-
Capital reduction	(4,359)	-	4,359	-
Dividend in specie	-	-	(2,398)	(2,398)
Loss for the year	-	-	(56)	(56)
Balance at 31 December 2013	<u>63</u>	<u>14</u>	<u>142</u>	<u>219</u>
Loss for the year	-	-	(12)	(12)
Capital contributions	-	39	-	39
Balance at 31 December 2014	<u>63</u>	<u>53</u>	<u>130</u>	<u>246</u>

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

CITIBANK INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 £ Million	2013 £ Million
Cash flow from/(used in) operating activities:			
Loss before income tax		(12)	(56)
Adjustments to reconcile net loss to cash flow from operating activities:			
Non-cash items included in net loss and other adjustments:			
Impairment of investments	7,8	23	59
Dividends received		(2)	(6)
Net (increase)/decrease in operating assets:			
Change in amounts due from group undertakings		23	62
Change in other assets		2	(3)
Net (decrease)/increase in operating liabilities:			
Change in amounts due to group undertakings		(19)	-
Change in other liabilities		-	(4)
Net cash flow from operating activities		<u>15</u>	<u>52</u>
Cash flow used in investing activities:			
Change in investments in subsidiary undertakings and associates	7,8	(56)	(58)
Dividend income received		2	6
Net cash flow used in investing activities		<u>(54)</u>	<u>(52)</u>
Cash flow used in financing activities:			
Capital contribution received	10	39	-
Net cash flow used in financing activities		<u>39</u>	<u>-</u>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		<u>-</u>	<u>-</u>

Cash and cash equivalents comprise loans and advances to banks with original maturity of less than three months.

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

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 endorsed 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 9. 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 2014 annual report, on form 10-K at <http://www.citigroup.com/citi/investor/sec.htm>.

b) Changes in accounting policy and disclosures

New and amended standards and interpretations

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

- IFRS 12 - Disclosure of Interest in Other Entities. The EU endorsed standard becomes effective for annual periods beginning on or after 1 January 2014. It covers disclosure requirements that were previously in IAS 27 relating to consolidated financial statements, in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 requires disclosures including judgements made to determine whether it controls another entity. Many of these changes were introduced by the International Accounting Standards Board (IASB), in response to the financial crisis. Now, even if the Company concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were the Company to reach a different conclusion regarding consolidation. The standard has not had any impact on the financial position or performance of the Company.
- IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments. These amendments clarify the meaning of "legally enforceable right to set-off" and did not have any impact on the Company's financial statements.

Standards issued but not yet endorsed by the EU

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

- IFRS 9 - Financial Instruments. The IASB completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 in July 2014. The improved standard includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard replaces the existing guidance in IAS 39 - Financial Instruments: Recognition and Measurement and carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The standard is not expected to have a significant impact to the Company.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

- IFRS 15 - Revenue from Contracts with Customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The standard is not expected to have a significant impact to the Company.

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 a basis that Citigroup Inc. is the ultimate parent of the Company and the consolidated financial statements of Citigroup Inc. have been drawn up in a manner which is equivalent to the requirements of the Seventh Directive of the Bank Accounts Directive. 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 15 'Parent companies'.

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. 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.

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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

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. 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

Subordinated liability is 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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

k) 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.

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 reviewed the net asset value of its subsidiaries and the recoverability of its investments in subsidiary undertakings at the year-end by taking into consideration projected future cash flows and profitability.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. Dividend income

	2014 £ Million	2013 £ Million
Equity shares	<u>2</u>	<u>6</u>

Dividend income of £2 million was received from D.Card Servicing AG on 30 May 2014. In the prior year dividend income of £6 million was received on 30 October 2013 from Citicorp Trustee Company Limited.

4. Auditor's remuneration

Administrative expenses include auditor's remuneration in relation to the audit of the Company amounting to £15,510 (2013: £15,510). The auditors' remuneration for these financial statements is paid by Citibank International Limited.

5. Tax on profit/(loss) on ordinary activities

a) Analysis of tax charge for the year

There was no tax charge incurred during the year (2013: £nil).

b) Factors affecting tax charge for the year

	2014 £ Million	2013 £ Million
Loss before tax	<u>(12)</u>	<u>(56)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	(3)	(13)
Effects of:		
Intercompany dividend received	-	(2)
Group relief surrendered for no consideration	-	1
Non taxable income	(2)	-
Amounts written off - investments not deductible	5	14
Current tax charge for the year (Note 5a)	<u>-</u>	<u>-</u>

The main rate of corporate tax for the year beginning 1 April 2014 reduced from 23% to 21%. This results in a weighted average rate of 21.49% for 2014 (2013: 23.25%). A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

The company has an unrecognised deferred tax asset of £42 million (2013: £44 million) in respect of carried forward non-trading deficits and excess management expenses. The company has not recognised a deferred tax asset on these losses as it is not probable that future taxable profits will be available against which the losses can be utilised. The company also has an unrecognised deferred tax asset of £54 million (£62 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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. 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:

	Loans and receivables £ Million	Other amortised cost £ Million	Total carrying amount £ Million	Fair value £ Million
2014				
Assets				
Amount due from group undertaking	2	-	2	2
Other assets	-	2	2	2
Total financial assets	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>
Liabilities				
Amount due to group undertaking	-	100	100	100
Subordinated liability	-	46	46	43
Total financial liabilities	<u>-</u>	<u>146</u>	<u>146</u>	<u>143</u>
	Loans and receivables £ Million	Other amortised cost £ Million	Total carrying amount £ Million	Fair value £ Million
2013				
Assets				
Amount due from group undertaking	25	-	25	25
Other assets	-	3	3	3
Total financial assets	<u>25</u>	<u>3</u>	<u>28</u>	<u>28</u>
Liabilities				
Amount due to group undertaking	-	119	119	119
Subordinated liability	-	46	46	42
Total financial liabilities	<u>-</u>	<u>165</u>	<u>165</u>	<u>161</u>

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.

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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. 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 table below presents the carrying value and fair value of the Company's financial instruments which are not carried at fair value.

The table excludes the values of non-financial assets and liabilities, as well as a wide range of franchise, relationship and intangible values, which are integral to a full assessment of the Company's financial position and the value of its net assets.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Financial assets and liabilities (continued)

2014

	£ Million		Estimated fair value £ Million		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Amount due from group undertaking	2	2	-	2	-
Other assets	2	2	-	2	-
Liabilities					
Amount due to group undertaking	100	100	-	100	-
Other liabilities	46	43	-	-	43

2013

	£ Million		Estimated fair value £ Million		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Amount due from group undertaking	25	25	-	25	-
Other assets	3	3	-	3	-
Liabilities					
Amount due to group undertaking	119	119	-	119	-
Other liabilities	46	42	-	-	42

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiary undertakings

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

	2014 £ Million	2013 £ Million
At 1 January	355	2,743
Capital contribution - cash	39	43
Transfer - dividend in specie	-	(2,398)
Impairment	(7)	(33)
At 31 December	<u>387</u>	<u>355</u>

Capital contributions

On 24 April 2014 the Company paid a capital contribution of £0.9 million to CFCL and £1.1 million to CFHL to fund capital contributions paid to CFE.

On 30 May 2014 the Company paid a capital contribution of £4.950 million to CFCL and £6.050 million to CFHL to fund capital contributions paid to CFE.

On 15 September 2014 the Company paid a capital contribution of £11.7 million to CFCL and £14.3 million to CFHL to fund capital contributions paid to CFE.

On 21 November 2014, the Company transferred 45% of its 30% ownership in CSOL to CFCL and transferred 55% of its interest in CSOL to CFHL. The transaction resulted in a share transfer of 72,000,000 ordinary shares of £1 each from the Company to CFCL and a share transfer of 88,000,000 ordinary shares of £1 each from the Company to CFHL.

On the same day, the CFCL transferred 100% of its interest in CSOL to CFHL.

The share transfers were for nil consideration as the carrying value of CSOL in the Company's books as at the date of the transaction (21 November 2014) was £nil. The Company's investment in CSOL was written down to £nil during the year due to the continuing uncertainty over future PPI liabilities.

2013 Transfer – dividend in specie

On 19 December 2013, the Company declared a dividend in specie comprising of (i) all of the ordinary share capital of Citibank International Limited (formerly Citibank International Plc) (CIL) being 1,757,011,710 ordinary shares of £1 each and (ii) all of the ordinary shares capital of CTCL being 3,999,999 ordinary shares of £1 each.

The total value of the investment in CIL and CTCL transferred to the parent via dividend in specie was £2,394,000,000 and £4,025,000 respectively.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in subsidiary undertakings (continued)

Impairment

In 2014 the Company impaired its investment in subsidiaries by £7 million. The impairments were to CitiFin S.r.l., D.Card Servicing AG and Citigroup Centre 1 Limited (CGC1) of £3 million, £2 million and £2 million respectively.

In 2013 the Company impaired its investment in subsidiaries by £33 million. These impairments were to CFCL, CFHL and CGC1 of £12 million, £17 million and £4 million respectively.

Details of principal Company subsidiary undertakings held at 31 December 2014 were as follows:

Name	Country of registration	Nature of business	% holding in share capital	
			2014	2013
CitiFinancial Corporation Limited	England	Holding company of consumer banking business	100.00%	100.00%
Citigroup Property Limited	England	Property management	100.00%	100.00%
Citigroup Centre 1 Limited	England	Provision of office accommodation	100.00%	100.00%
CitiFinancial Holdings Limited	England	Holding company of consumer banking business	55.41%	55.41%
Citiclient Nominees No. 1 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 2 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 3 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 4 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 5 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 6 Limited	England	Bare trustee	100.00%	100.00%
Citigroup Centre 1 Limited	England	Bare trustee	100.00%	100.00%
Citiclient Nominees No. 8 Limited	England	Bare trustee	100.00%	100.00%
Citifriends Nominee Limited	England	Bare trustee	100.00%	100.00%
Citivic Nominees Limited	England	Bare trustee	100.00%	100.00%
Citibank London Nominees Limited	England	Bare trustee	100.00%	100.00%
CUIM Nominee Limited	England	Bare trustee	100.00%	100.00%
National City Nominees Limited	England	Bare trustee	100.00%	100.00%
N.C.B. Trust Limited	England	Bare trustee	100.00%	100.00%
Citicorporate Limited	England	Bare trustee	100.00%	100.00%
Citi Pensions & Trustees Limited	England	Trustee	100.00%	100.00%
Citi (UK) Pension Trustee Limited	England	Trustee	100.00%	100.00%
Citiloans Limited	England	In liquidation	100.00%	100.00%
CitiFin S.r.l.	Italy	In liquidation	100.00%	100.00%

As at 31 December 2014 Citigroup Property Limited, Citiloans Limited and CitiFin S.r.l. were in liquidation.

On 10 December 2014 D. Card Servicing AG was liquidated.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Investments in associates

The Company's investments in associates as at 31 December 2014 represent a 20.80% (2013: 20.80%) 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 (2013: £1,847,146).

For the year ended 31 December 2014, the Company's share of profit of Volbroker.Com Limited was £0.5 million (2013: £0.5 million).

On 21 November 2014, the Company transferred 45% of its 30% ownership in CSOL to the CFCL and transferred 55% of its interest in CSOL to CFHL. See Note 7 – 'Investments in subsidiary undertakings' for further information.

Capital contributions

On 3 February 2014 the Company paid a capital contribution of £9 million to CSOL.

On 30 May 2014 the Company paid a capital contribution of £6 million to CSOL.

On 16 September 2014 the Company paid a capital contribution of £1.5 million to CSOL.

Impairment

In 2014 the Company impaired its investment in CSOL by £5 million (2013: £26 million).

Summarised aggregate financial information on associates

	2014 £ Million	2013 £ Million
Volbroker.Com Limited		
Assets	7	6
Liabilities excluding equity	-	-
Revenues	3	3
Profit	2	3

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

	2014 £ Million	2013 £ Million
At 1 January	1	12
Capital contribution	16	15
Impairment	(16)	(26)
At 31 December	<u>1</u>	<u>1</u>

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Subordinated liability

	2014	2013
Amounts due after 5 years	£ Million	£ Million
Preference shares	46	46
<i>Issued</i>		
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.

On 24 November 2014, 70% of the fixed rate cumulative redeemable preference shares were transferred from CHBL to COIC and 30% were transferred from CHBL to CIBL.

10. Capital and reserves

Further details regarding capital and reserves movements are shown in the Statement of Changes in Equity on page 13.

Other reserves include the capital contributions from the parent company which were received in cash and are distributable. However, capital contributions received which are directly passed on to subsidiaries and other voluntary reserves are not distributable.

On 24 April 2014, the Company received a capital contribution of £2 million from CHBL.

On 30 May 2014, the Company received a capital contribution of £11 million from CHBL.

On 15 September 2014, the Company received a capital contribution of £26 million from CHBL.

The following information is provided for comparative purposes;

On 26 November 2013, the Company's Directors passed a resolution to capitalise £3,377,831,369 of the Company's other reserve surplus. On this date, the Company made a bonus issue of 3,377,831,369 fully paid ordinary shares of £1 each at par to the existing shareholders of the Company in accordance with their dividend entitlement.

On 12 December 2013, the Directors approved a solvency statement for a reduction of the Company's share capital. The Company's ordinary share capital reduced from 4,397,536,138 ordinary shares of £1.00 each to 38,114,869 ordinary shares of £1.00 each and resulted in an increase in distributable reserves of £4,359,421,269.

Dividends

On 19 December 2013, the Company declared a dividend in specie comprising of (i) all of the ordinary share capital of CIP being 1,757,011,710 ordinary shares of £1 each and (ii) all of the ordinary shares capital of CTCL being 3,999,999 ordinary shares of £1 each. The carrying value of the investment in CIL and CTCL transferred to the parent via dividend in specie was £2,394,000,000 and £4,025,000 respectively.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Share capital

	2014 £ Million	2013 £ Million
Allotted, called-up and fully paid		
38,114,869 (2012: 1,019,704,769) sterling ordinary shares of £1 each	38	38
25,000,000 8% non-cumulative preference shares of £1 each	25	25
	<u>63</u>	<u>63</u>

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 transactions

The Company is a wholly owned subsidiary undertaking of CHBL. 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.

	Parent undertaking £ Million	Subsidiary undertakings £ Million	Other Citigroup undertakings £ Million	Total £ Million
2014				
Assets				
Amount due from group undertaking	-	-	2	2
Liabilities				
Amount due to group undertaking	-	-	100	100
Subordinated liability	46	-	-	46
Income statement				
Interest expense and similar charges	-	-	(1)	(1)
Other operating charges	-	-	10	10

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Related party transactions (continued)

	Parent undertaking £ Million	Subsidiary undertakings £ Million	Other Citigroup undertakings £ Million	Total £ Million
2013				
Assets				
Amount due from group undertaking	-	-	25	25
Liabilities				
Amount due to group undertaking	-	26	93	119
Subordinated liability	46	-	-	46
Income statement				
Other operating charges	-	-	(3)	(3)
Directors' remuneration				

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

	2014 £' 000	2013 £' 000
Salaries and other short-term benefits	86	97
Post-employment benefits	7	7
Share-based payments	37	35
	<u>130</u>	<u>139</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 three of the Directors (2013: three). Three of the Directors (2013: three) of the Company participate in Citigroup share plan. Three of the Directors hold share options (2013: three) and during the year, none of the Directors (2013: none) exercised options. The emoluments for the highest paid Director were £64 thousand (2013: £70 thousand) with £20 thousand (2013: £20 thousand) being share based compensation and accrued pension of £1 thousand (2013: £nil).

Directors' emoluments are borne by another group company.

13. 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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Financial instruments and risk management (continued)

Risk management

The following sections summarise the processes that were in place during 2014 for managing the Company's major risks.

Market risk

Market risk (and namely the price risk component) is the risk to earnings or capital from adverse changes in market factors such as interest rates and foreign exchange rates, as well as their implied volatilities and other higher order factors.

Due to the transfer in ownership of CIL and CTCL in the prior year, the Company's risk profile has diminished and as at the year end the market risk remaining within the Company is not considered to be significant.

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.

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.

	1 year or less £ Million	Greater than 5 years £ Million	Total £ Million
2014			
Assets			
Amount due from group undertaking	2	-	2
All other assets	2	388	390
2014 total assets	<u>4</u>	<u>388</u>	<u>392</u>
2013 total assets	<u>28</u>	<u>356</u>	<u>384</u>
Liabilities and equity			
Amount due to group undertaking	100	-	100
Subordinated liability	-	46	46
All other liabilities and equity	-	246	246
2014 total liabilities and equity	<u>100</u>	<u>292</u>	<u>392</u>
2013 total liabilities and equity	<u>119</u>	<u>265</u>	<u>384</u>
2014 net liquidity gap	(96)	96	-
2013 net liquidity gap	(91)	91	-

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Financial instruments and risk management (continued)

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.

	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
2014					
Liabilities					
Amount due to group undertaking	100	-	-	-	100
Subordinated liability	-	-	-	46	46
	<u>100</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>146</u>
2013					
Liabilities					
Amount due to group undertaking	119	-	-	-	119
Subordinated liability	-	-	-	46	46
	<u>119</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>165</u>

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 (unaudited)

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.

CITIBANK INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Financial instruments and risk management (continued)

Capital management

Regulatory capital

Due to the group restructure and the transfer of CIL and CTCL to CHBL via the dividend in specie in the prior year, there are now no subsidiaries of the Company that are regulated by the Prudential Regulation Authority ("PRA") and subject to the UK prudential standards for banking and investment firms, CRD4.

The Company's indirect subsidiary, CFE, is a MIPRU regulated entity supervised by the FCA on a standalone basis. As at 31 December 2014, CFE no longer undertakes any regulatory business activities and has submitted an application to the FCA to cancel its regulatory licence.

14. Post balance sheet events

On 15 January the Company received a dividend of £19 million from Citigroup Property Limited (CPL). CPL was placed into liquidation on 20 February 2015).

15. Parent companies

The Company is a 70% owned subsidiary of COIC, which is incorporated in the United States of America. CIBL 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 incorporated in the State of Delaware, 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.