

**Citibank Investments Limited**

**Directors' Report and Accounts  
31 December 2000**

**Registered number: 1911126**



LD3  
COMPANIES HOUSE

\*LZEGVSDR\*

0481  
31/10/01

# **Citibank Investments Limited**

## **REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000**

<b>CONTENTS</b>	<b>Page</b>
Directors and Officers	1
Report of the Directors	2 – 7
Report of the Auditors	8
Consolidated Profit and Loss Account	9
Statement of Total Recognised Gains and Losses	10
Statement of Historical Cost Profits and Losses	10
Reconciliation of Movements in Shareholders	10
Consolidated Balance Sheet	11
Company Balance Sheet	12
Notes to the Accounts	13 - 43

# **Citibank Investments Limited and Subsidiaries**

## **DIRECTORS AND OFFICERS**

### **BOARD OF DIRECTORS**

Ms E-Noel HARWERTH (*American*)

Dr Thomas F Huertas (*American*)

Michael J KIRKWOOD

Jeffrey R WALSH (*American*)

F P VANNI d'ARCHIRAFI

James R Cobb (alternate Director to J R Walsh)

### **SECRETARY**

Andrew Gaulter

### **REGISTERED OFFICE**

336 Strand  
London WC2R 1HB

### **AUDITORS**

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

# **Citibank Investments Limited and Subsidiaries**

## **REPORT OF THE DIRECTORS (Continued)**

The Directors present their report and the financial statements of the Company and its subsidiaries for the year ended 31 December 2000.

### **Principal Activities**

The Company is the holding company for subsidiary undertakings of Citibank, N.A. in the United Kingdom primarily engaged in the provision of international banking and related financial services.

### **Results and Dividends**

The Company made a consolidated profit for the year after tax of £109,911,000 (1999 : £57,593,000).

No interim dividend has been paid in respect of the year and the Directors do not recommend the payment of a final dividend (1999 dividend : £ nil).

### **Future Developments**

The Directors intend that the Company will continue to review and consider investment opportunities as and when they arise to further the objectives of Citibank, N.A. of creating, and maintaining, within the United Kingdom a single and appropriately structured corporate group.

### **Investments in Subsidiary Undertakings**

On 28 April 2000 the Company acquired from its immediate parent, Citibank Overseas Investment Corporation, 99.20 per cent of the issued share capital of Citico – Sociedade Gestora de Participacoes Sociais, Lda ("Citico"), a company incorporated in Portugal, for an aggregate consideration of £42,581,000, which was satisfied by the issue of 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each in the Company. The remaining 0.80 per cent of Citico was acquired from a fellow subsidiary undertaking for a nominal sum in cash.

Following that, also on 28 April 2000, the whole of the issued share capital of Citico was sold on to the Company's subsidiary undertaking, Citibank International plc, also for £42,581,000, which was satisfied by the issue to the Company of 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each in Citibank International plc.

On 22 May 2000 the Company acquired the issued share capitals (comprising two ordinary shares of £1 each) of the following ten nominee companies, each registered in England, which now provide nominee services for clients of Citibank, N.A. or Citibank International plc.

CitiClient Nominees No 1 Limited	CitiClient Nominees No 2 Limited
CitiClient Nominees No 3 Limited	CitiClient Nominees No 4 Limited
CitiClient Nominees No 5 Limited	CitiClient Nominees No 6 Limited
CitiClient Nominees No 7 Limited	CitiClient Nominees No 8 Limited
CitiClient (CPF) Nominees Limited	CitiClient (CPF) Nominees No 2 Limited

On 22 August 2000 the Company acquired by subscription two ordinary shares of £1 each representing the issued share capital of Citigroup (UK) Pension Trustee Limited, a company registered in England, for a consideration of £2.

On 29 September 2000 the Company acquired from Citibank Overseas Investment Corporation an additional 23,802,624 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 30 August 2000 for a consideration of £23,803,000.

# **Citibank Investments Limited and Subsidiaries**

## **REPORT OF THE DIRECTORS (Continued)**

On 29 December 2000 the Company acquired from Citibank Overseas Investment Corporation an additional 21,777,070 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 29 November 2000 and a Deed of Amendment dated 21 December 2000 for a consideration of £21,777,000.

On 29 December 2000 the Company also acquired from Citibank Overseas Investment Corporation an additional 3,389,274 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Amendment of that date for an aggregate consideration of £3,389,000.

### **Other Investments**

In January 2000 the Company acquired by subscription 3,980,000 shares of ITL1,000 each in, and representing approximately 19.90 per cent of, the issued share capital or equivalent of Unipol SIM S.p.A., a company incorporated in Italy, for a cash consideration of ITL3,980,000,000 (equivalent to £1,435,000).

In January 2000 the Company acquired by subscription 200 'B' ordinary shares of £1 each, representing 2 per cent of the issued share capital of Zammatt Limited, a company registered in England, for a cash consideration of £112,000.

In March 2000 the Company acquired, by subscription under three tranches, an aggregate of 32,250,000 Class 'A' shares of Volbroker.com Limited, a company registered in England, for a cash consideration of £3,225,000.

In August 2000 the Company acquired by purchase an additional eight voting shares and an additional 1,427 income shares of Argent Development Consortium Limited for an aggregate cash consideration of £77,000.

### **Post Balance Sheet Events**

On 28 February 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 108,601,950 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 27 February 2001 for a consideration of £108,602,000.

On 22 March 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 2,636,996 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated February 2001 for an aggregate consideration of £2,637,000.

On 19 September 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 30,462,240 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated August 2001 for an aggregate consideration of £30,462,000.

On 28 September 2001 the Company acquired the whole of the issued share capital of Citibank Trustees (Ireland) Limited ("CTIL") from Citibank Overseas Investment Corporation ("COIC") for a consideration of £2,000,000. CTIL was then sold on to Citibank International plc on the same date, also for a consideration of £2,000,000.

On 23 October 2001 the Company entered into a Subscription Agreement whereby Citigroup Capital Finance Ireland Limited subscribed for £335,750,000 Subordinated Floating Rate Notes due 2031 in the Company on that date. On the same date the Company entered into a further Subscription Agreement whereby Citigroup Partners UK subscribed for £350,000,000 Subordinated Floating Rate Notes due 2031 in the Company on that date.

# **Citibank Investments Limited and Subsidiaries**

## **REPORT OF THE DIRECTORS (Continued)**

On 25 October 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 1,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 28 September for a consideration of £1,000.

On 26 October 2001 the Company subscribed for an additional 685,750,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc for a consideration of £685,750,000.

### **Share Capital**

On 30 March 2000 the authorised share capital of the Company was increased to £1,600,000,000 firstly by the creation of 500,000,000 new ordinary shares of £1 each ranking pari passu in all respects with then existing 500,000,000 ordinary shares of £1 each and secondly by the creation of 600,000,000 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each.

On 28 April 2000 the Directors allotted 42,581,081 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 99.20 per cent of the issued share capital of Citico – Sociedade Gestora de Participacoes Sociais, Lda as referred to above.

On 29 September 2000 the Directors allotted 23,802,624 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 23,802,624 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 30 August 2000.

On 29 December 2000 the Directors allotted 21,777,070 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 21,777,070 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 29 November 2000 and a Deed of Amendment dated 21 December 2000.

On 29 December 2000 the Directors allotted 3,389,274 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 3,389,274 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Amendment of that date.

### **Share Capital - movements since Year End**

On 28 February 2001 the Directors allotted 108,601,950 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 108,601,950 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 27 February 2001.

On 22 March 2001 the Directors allotted 2,636,996 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 2,636,996 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 27 February 2001.

On 19 September 2001 the Directors allotted 30,462,240 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 30,462,240 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 30 August 2001.

On 25 October 2001 the Directors allotted 2,000,183 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of the whole of the issued share capital of Citibank Trustees (Ireland) Limited.

# **Citibank Investments Limited and Subsidiaries**

## **REPORT OF THE DIRECTORS (Continued)**

On 25 October 2001 the Directors allotted 1,000 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 1,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 28 September 2001.

### **Fixed Assets**

Movements in fixed assets during the year are indicated in Note 20 to the Accounts.

It is the opinion of the Directors that there was no significant difference between the respective book and market values of the freehold land and buildings at 31 December 2000.

### **Suppliers**

It is the Directors' policy to ensure that suppliers are paid within 30 days of invoice date or as may otherwise be agreed with suppliers. The Company does not follow any code or standard on payment practice. The average time between receipt of an invoice by the Company and its payment in 2000 was 30 days (1999 : 31 days).

### **Directors**

The following served as Directors during 2000:

E Alemany ( resigned 1 September 2001)

E N Harwerth

T F Huertas

M J Kirkwood

J R Walsh

F P Vanni d'Archirafi was appointed a Director on 1 September 2001.

J R Cobb was appointed Alternate Director to J R Walsh on 25 October 2001.

### **Secretary**

John S Mitchell-Hewson resigned on 20 August 2001 and Andrew Gaulter was appointed on 21 August 2001.

### **Directors' Interests**

None of the Directors, nor any member of their respective families, has reported any material interest in contracts involving the Company, or interests in the share or loan capital of its ultimate holding company or its subsidiary undertakings, requiring disclosure in this report.

# **Citibank Investments Limited and Subsidiaries**

## **REPORT OF THE DIRECTORS (Continued)**

### **Directors' Responsibilities for Financial Statements**

Company law requires the Directors to prepare financial statements for each accounting reference period which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the profit or loss for that period.

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

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

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

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

### **Employee Involvement and Disabled Persons**

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

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

In respect of persons becoming disabled whilst in the employment of a subsidiary undertaking, appropriate means would be provided for such persons to continue in their position or to offer them an alternative position commensurate with their abilities.

### **Charitable Donations and Political Contributions**

During the year the Company's subsidiary undertakings made payments amounting in aggregate to £44,000 (1999 : £37,000) for charitable purposes. Neither the Company nor any of its subsidiary undertakings made any payments for political purposes during the year (1999: £nil).

### **Close Company Provisions and Ultimate Holding Company**

In the opinion of the Directors, the close company provisions of the Income and Corporation Taxes Act 1988 do not, and did not at 31 December 2000, apply to the Company.

The Directors regarded Citigroup Inc., which is incorporated in the United States of America under the laws of the State of Delaware, as the Company's ultimate holding company at 31 December 2000.



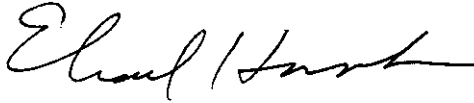
# Citibank Investments Limited and Subsidiaries

## REPORT OF THE DIRECTORS (Continued)

### Auditors

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

Approved by the Board of Directors on 30 October 2001 and signed on their behalf by :



Director

Registered in England  
under company number 1911126

Registered office:  
336 Strand  
London WC2R 1HB

# **Citibank Investments Limited and Subsidiaries**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITIBANK INVESTMENTS LIMITED**

We have audited the financial statements on pages 9 to 43.

### **Respective Responsibilities of Directors and Auditors**

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act (1985). We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

### **Basis of Opinion**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2000, and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**

**Chartered Accountants  
Registered Auditor  
London**

**30 October 2001**

# Citibank Investments Limited and Subsidiaries

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	Continuing Operations 2000 £'000	Discontinued Operations 2000 £'000	Acquired Operations 2000 £'000	Total 2000 £'000	Total 1999 £'000
Interest receivable						
- interest receivable and similar income						
arising from debt securities		101,505	-	-	101,505	75,866
- other interest receivable and similar income		280,842	1,473	37	282,352	158,560
Less : interest payable		(292,655)	(220)	(3,847)	(296,722)	(182,234)
<b>NET INTEREST INCOME</b>		<b>89,692</b>	<b>1,253</b>	<b>(3,810)</b>	<b>87,135</b>	<b>52,192</b>
Dividend income	2	12,249	-	-	12,249	7,204
Fees and commissions receivable		97,120	39,307	-	136,427	83,420
Less: fees and commissions payable		(10,387)	(4,676)	-	(15,063)	(5,198)
Dealing profits		121,308	-	-	121,308	26,053
Other operating income		109,939	1,501	-	111,440	74,959
<b>OPERATING INCOME</b>		<b>419,921</b>	<b>37,385</b>	<b>(3,810)</b>	<b>453,496</b>	<b>238,630</b>
Administrative expenses	3	(164,740)	(25,041)	(3,187)	(192,968)	(139,065)
Depreciation and amortisation	20	(56,009)	(597)	(4,351)	(60,957)	(53,372)
Other operating charges		(14,516)	-	(703)	(15,219)	(7,912)
Provisions for bad and doubtful debts	14	(8,272)	(5,098)	-	(13,370)	(4,174)
Provisions for liabilities and charges	27	(7,532)	204	-	(7,328)	(6,170)
Write off premium on hedge instrument	6	(4,320)	-	-	(4,320)	-
<b>OPERATING EXPENSES</b>		<b>(255,389)</b>	<b>(30,532)</b>	<b>(8,241)</b>	<b>(294,162)</b>	<b>(210,693)</b>
<b>OPERATING PROFIT / (LOSS)</b>		<b>164,532</b>	<b>6,853</b>	<b>(12,051)</b>	<b>159,334</b>	<b>27,937</b>
Provisions for restructuring costs		(511)	-	-	(511)	327
Restructuring costs directly charged in the year		-	-	-	-	(1,503)
Profit on disposal of fixed assets	7	19,867	47	-	19,914	53,760
Amounts written off investments		(2,129)	-	-	(2,129)	2,485
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	<b>5</b>	<b>181,759</b>	<b>6,900</b>	<b>(12,051)</b>	<b>176,608</b>	<b>83,006</b>
Tax on profit on ordinary activities	8				(66,697)	(25,413)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</b>					<b>109,911</b>	<b>57,593</b>
Dividends					-	-
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>					<b>109,911</b>	<b>57,593</b>

# Citibank Investments Limited and Subsidiaries

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	109,911	57,593
Currency translation differences	36	(131)
Total recognised gains and losses for the year	<u>109,947</u>	<u>57,462</u>

## STATEMENT OF HISTORICAL COST PROFITS AND LOSSES For the year ended 31 December 2000

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

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS For the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial year	109,911	57,593
Dividends	-	-
Retained profit for the year	<u>109,911</u>	<u>57,593</u>
Other recognised gains relating to the year	894	-
Currency translation differences	36	(131)
New share capital issued at par	<u>91,550</u>	<u>24,648</u>
Net additions to shareholders' funds	<u>202,391</u>	<u>82,110</u>
Opening shareholders' funds	808,899	726,789
Closing shareholders' funds	<u><u>1,011,290</u></u>	<u><u>808,899</u></u>

# Citibank Investments Limited and Subsidiaries

## CONSOLIDATED BALANCE SHEET as at 31 December 2000

	Note	2000 £'000	1999 £'000
<b>ASSETS</b>			
Cash and balances at central banks		9,466	35,502
Loans and advances to banks	12	4,513,430	1,294,618
Loans and advances to customers	13	2,022,746	1,362,453
Loans subject to non-recourse financing arrangements	15	179,110	203,363
Less: non-returnable finance		(160,236)	(170,912)
		18,874	32,451
Other debt securities	16	3,627,740	1,343,354
Equity securities	17	88,737	82,327
Participating interests	18	8,767	3,341
Tangible fixed assets	20	252,436	151,648
Other assets	21	1,334,864	1,008,409
Prepayments and accrued income		114,440	63,528
<b>Total Assets</b>	<b>11</b>	<b>11,991,500</b>	<b>5,377,631</b>
<b>LIABILITIES</b>			
Deposits by banks	22	7,122,234	2,480,770
Customer accounts	23	1,557,261	779,052
Debt securities in issue	24	511,379	30,000
Other liabilities	25	1,524,635	1,099,913
Accruals and deferred income		184,401	104,831
Provisions for liabilities and charges			
- deferred taxation	26	(20,732)	(14,161)
- other provisions	27	34,026	26,473
Subordinated liabilities	28	67,006	61,854
Called up share capital	29	529,243	483,663
Capital reserve	30	566	566
Profit and loss account	30	435,511	324,670
Equity Shareholders' funds		965,320	808,899
Non equity shareholders' funds	29	45,970	-
		1,011,290	808,899
<b>Total Liabilities</b>	<b>11</b>	<b>11,991,500</b>	<b>5,377,631</b>
<b>MEMORANDUM ITEMS</b>			
<b>Contingent liabilities :</b>			
- guarantees and assets pledged as collateral security	32	82,151	53,689
<b>Commitments :</b>			
- other commitments	32	2,973,052	1,311,114

Approved by the Board of Directors on 30 October 2001 and signed on their behalf by:



Ms E-Noël Harwerth, Director.

# Citibank Investments Limited and Subsidiaries

## COMPANY BALANCE SHEET as at 31 December 2000

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Investments	17	2,062	2,268
Participating interests	18	2,129	-
Investments in group undertakings	19	893,933	707,163
		<u>898,124</u>	<u>709,431</u>
<b>CURRENT ASSETS</b>			
Loans and advances to subsidiary undertakings	13	412	70,412
Other Assets	21	33,818	10,607
Prepayments and accrued income		528	1,212
Balances with group banking undertakings	12	106,529	107,783
		<u>141,287</u>	<u>190,014</u>
<b>CURRENT LIABILITIES</b>			
Other liabilities	25	27,180	89,785
		<u>27,180</u>	<u>89,785</u>
<b>NET CURRENT ASSETS</b>		<u>114,107</u>	<u>100,229</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,012,231	809,660
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Other provisions for liabilities and charges	27	941	761
<b>NET ASSETS</b>		<u>1,011,290</u>	<u>808,899</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	29	529,243	483,663
Capital reserve	30	566	566
Revaluation reserve	30	225,830	130,497
Profit and loss account	30	209,681	194,173
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>965,320</u>	<u>808,899</u>
Non Equity Shareholders' Funds	29	45,970	-
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>1,011,290</u>	<u>808,899</u>

Approved by the Board of Directors on 30 October 2001 and signed on their behalf by:

Ms E-Noël Harwerth, Director.

# **Citibank Investments Limited and Subsidiaries**

## **NOTES TO THE ACCOUNTS**

### **1. ACCOUNTING POLICIES**

#### **Accounting Convention**

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

#### **Companies Acts**

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

#### **Cash Flow Statement**

Under Financial Reporting Standard No. 1 (Revised), the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is wholly owned and controlled by a company incorporated in the United States of America. The ultimate parent company is Citigroup Inc. ('Citigroup'), incorporated in the United States of America under the laws of the State of Delaware. The Company's cashflows are included within the cashflow statement of that company, and its accounts are publicly available from its offices at 399 Park Avenue, New York, NY. 10043, USA.

#### **Foreign Currencies**

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

#### **Overseas Branches**

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

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

Assets and liabilities of businesses acquired as branches are recorded at their fair value on the date of acquisition.

#### **Investments in Group and Associated Undertakings**

Investments in Group and Associated undertakings are stated in the Company's balance sheet at the Company's share of their net tangible assets. Aggregate net surpluses on revaluation of investments are taken to the revaluation reserve. Where there currently exists no revaluation surplus in respect of one of the Company's subsidiary undertakings, and that undertaking is revalued downwards, the deficit is taken to the profit and loss account.

Investments in shares in group undertakings that are in liquidation at the balance sheet date are disclosed separately under other assets.

# **Citibank Investments Limited and Subsidiaries**

## **NOTES TO THE ACCOUNTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **Related Party Transactions**

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

#### **Forward Foreign Exchange Contracts and Other Derivatives**

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

#### **Debt and Equity Securities**

Securities intended for use on a continuing basis in the Company's activities are classified as investment securities and are valued at cost adjusted for accreted premium or discount on acquisition, less any provision for impairment.

Securities held for dealing purposes are included as other securities and are valued at fair value based on quoted market prices prevailing at the year end. Changes in market value are recognised in the profit and loss account as 'Dealing Profits' as they arise.

#### **Trading Securities**

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

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

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

#### **Sale and repurchase transactions**

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



# **Citibank Investments Limited and Subsidiaries**

## **NOTES TO THE ACCOUNTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **Participating Interests**

Participating interests are accounted for at cost less any permanent diminution in value, which is taken to the profit and loss account. Any dividend income is credited to the profit and loss account in the year in which it is received.

#### **Interest and Fee Income**

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

Fees are accrued over the life of the underlying transaction except to the extent that they represent compensation for arranging the transaction, which is recognised in the profit and loss account on signing the agreement.

#### **Mortgage Securitisation**

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

#### **Provision for bad and doubtful debts**

Specific and general provisions are made against loans, advances and certain products as considered appropriate. Bad debts are written off when the Directors consider there is no prospect of further recoveries.

#### **Pension and Other Post-Retirement Benefit Costs**

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

Contributions to the other post-retirement benefits scheme are assessed in accordance with the advice of an independent qualified actuary and provision is being made on a similar basis.

Overseas branches make contributions on behalf of their employees into locally run, non-state, pension schemes.

#### **Depreciation**

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

Premises and installations	- shorter of the lease term and estimated useful life
Furniture and equipment	- between 2 and 10 years
Computer equipment	- between 1 and 5 years
Motor vehicles	- between 3 and 4 years
Assets held for use in operating leases	- actuarial over term of lease contract

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 1. ACCOUNTING POLICIES (continued)

#### Finance and Operating Leases

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

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

All other leases are classified as operating leases and where the Company is the lessor are included in 'Tangible fixed assets'. Rentals payable and receivable are accounted for on the straight-line basis over the period of the lease and are included within 'Administrative expenses' and 'Other operating income' respectively.

#### Deferred Taxation

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

### 2. DIVIDEND INCOME

	2000 £'000	1999 £'000
Income from equity shares	<u>12,249</u>	<u>7,204</u>

### 3. ADMINISTRATIVE EXPENSES

Group	2000 £'000	1999 £'000
Staff costs		
- wages and salaries	59,031	47,175
- social security costs	8,882	6,155
- other pension costs (note 9)	3,429	3,641
- post-retirement health care (note 9)	207	234
Other administrative expenses	121,419	81,860
	<u>192,968</u>	<u>139,065</u>

### EMPLOYEE INFORMATION

	2000	1999
The average number of persons employed by the Group during the Year was as follows :		
Managers	970	730
Clerical staff	348	359
Others	10	22
Total	<u>1,328</u>	<u>1,111</u>

The total remuneration (including bonuses) was £73,881,000 (1999: £59,537,000).

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 4. AMOUNTS RELATING TO DISCONTINUED OPERATIONS IN 1999

	Continuing operations £'000	Discontinued Operations £'000	Total 1999 £'000
Net interest income	51,691	(91)	51,600
Operating income	143,771	(9,375)	134,396
Operating expenses	(105,490)	(2,170)	(107,660)
Operating profit	38,281	(11,545)	26,736
Provision for loss on discontinued operations	-	327	327
Profit before tax	38,281	(11,218)	27,063

Discontinued operations in 2000 include the sale of the Group's Diners Club International franchises. The analysis above has been restated to reflect this business which was discontinued.

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2000 £'000	1999 £'000
Profit before tax is stated after <b>charging</b> :		
Interest payable on subordinated loan capital	4,413	3,780
Operating leases - leasehold property	2,976	8,476
- hire of equipment	31,970	471
Auditors' remuneration - Group audit work	157	182
- Group non-audit work	121	952
And after <b>crediting</b> :		
Income from listed investments	11,791	7,090
Profits less Losses on securities dealing	262,400	44,997
Profits less Losses on disposal of investment securities	-	5,041
Profits from disposal of fixed assets	19,914	53,760
Profits from disposal of subsidiary undertaking	-	2,485
Charge card fee income	39,357	36,321
Aggregate amounts receivable under operating leases	3,451	3,111

### 6. EXCEPTIONAL ITEMS

	2000 £'000	1999 £'000
Write off premium on hedge instrument	4,320	-

### 7. PROFIT ON DISPOSAL OF FIXED ASSETS

In April 2000 the Group disposed of its existing freehold interest in 336 Strand and entered into a three year lease agreement for the property. Of the total gain of £37,707,393, and included within profit on disposal, is £19,698,393, relating to profit on disposal of interest in property, with the balance being offset against rental payments made after the disposal. At the year end, £2,670,000 and £3,559,000 has been deferred against future rental payments falling due within one year and more than one year respectively. The current year's amortisation of the deferred gain amounted to £1,780,000 and has been written off to 'other operating charges'.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge to taxation comprised :	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999 : 30.25%)		
- Current,	47,123	29,912
- Deferred	(350)	(7,384)
- Deferred rate change adjustment	432	393
Double tax relief	(30,088)	(8,565)
Overseas current taxation	60,763	12,598
Overseas deferred taxation	(13,010)	2,006
Under/ (over) provision in respect of prior years		
- Current	3,525	(3,336)
- Deferred	(1,698)	(211)
	<u>66,697</u>	<u>25,413</u>

The effective tax rate in 2000 was 37.7% (1999 : 30.6%)

### 9. EMOLUMENTS OF DIRECTORS

	2000 £	1999 £
Aggregate emoluments	191,767	95,905
Company pension contributions to money purchase schemes	<u>762</u>	<u>759</u>

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

- Money purchase schemes	3	1
- Defined benefit schemes	<u>3</u>	<u>3</u>

Number of Directors :

- Exercising share options during the year	<u>4</u>	<u>1</u>
--	----------	----------

### Details of highest paid Director :

Total emoluments	<u>83,854</u>	<u>44,780</u>
Defined benefit scheme :		
- Accrued pension at year end	-	15,543
- Accrued lump sum at year end	<u>-</u>	<u>56,957</u>

At 31 December 2000 there were 2 Directors with corporate card balances in excess of £2,500. The total of these balances came to £19,438.02 (1999: £27,862).

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 10. PENSION AND OTHER POST RETIREMENT BENEFIT COSTS

The total pension cost for the Group was £3,429,000 (1999: £3,641,000). £338,000 (1999: £449,000) of the total pension cost relates to overseas schemes which has been determined in accordance with best practice and regulations in the U.K.

The Group participates in the Citibank (UK) Pension Plan ("the scheme"), a funded plan which provides both defined benefit and defined contribution pension benefits. The pension costs and provision are assessed in accordance with an independent qualified actuary's advice and the latest actuarial valuation was as at 1 January 2000.

The latest actuarial valuation of the defined benefit section of the scheme was as at 1 January 2000. The actuarial assumptions adopted at that valuation date were that, as an average over the long term, the investment return would be 9% p.a., the level of salary increases would be 6% p.a., the Retail Price Index would increase at 4% p.a., the level of discretionary pensions increases would be 3% p.a. on pensions accrued before 1 July 1994, 4% p.a. on pensions accrued after that date and the determination of liabilities is based on the projected unit method. The scheme's assets are held in separate trustee administered funds. The market value of the Group's share of the principal scheme's assets was sufficient to cover 110% of the benefits for the members on the above assumptions.

The Group is also a member of a group defined benefit post-retirement scheme from which 459 retired group employees currently benefit and 1,195 current group employees will become eligible. The cost of providing post-retirement health care benefits, which is assessed in accordance with the advice of a qualified actuary, is recognised on a systematic basis over employees' service lives. The accumulated obligation in respect of these benefits relating to existing employees at 1 January 1994 is being charged to the profit and loss account in equal instalments over 20 years. The scheme is unfunded and the latest actuarial valuation was as at 1 January 1997. The principal assumptions of the scheme were an asset return of 8% p.a. and medical expense inflation of 7.5% p.a. in 1997 reducing linearly to 4% by 2005.

### 11. ASSETS

<b>The Group</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Assets and liabilities denominated in foreign currency :		
Denominated in sterling	2,310,726	1,908,301
Denominated in currencies other than sterling	9,680,774	3,469,330
<b>TOTAL ASSETS</b>	<b>11,991,500</b>	<b>5,377,631</b>
Denominated in sterling	2,350,637	1,903,301
Denominated in currencies other than sterling	9,640,863	3,474,330
<b>TOTAL LIABILITIES</b>	<b>11,991,500</b>	<b>5,377,631</b>
Assets leased to customers :		
Tangible fixed assets - operating leases	56,668	26,019

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 12. LOANS AND ADVANCES TO BANKS

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Repayable on demand	820,183	267,371	106,529	107,783
Other loans and advances				
Remaining maturity :				
- 3 months or less	2,911,133	790,802	-	-
- 1 year or less but over 3 months	684,271	192,529	-	-
- 5 years or less but over 1 year	97,843	43,916	-	-
- over 5 years	-	-	-	-
	<u>4,513,430</u>	<u>1,294,618</u>	<u>106,529</u>	<u>107,783</u>
Due from other Group Companies	<u>3,497,704</u>	<u>919,402</u>	<u>106,529</u>	<u>107,783</u>

### 13. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Remaining maturity :				
- on demand or at short notice	421,959	153,047	-	-
- 3 months or less	461,057	449,108	412	412
- 1 year or less but over 3 months	189,827	139,337	-	70,000
- 5 years or less but over 1 year	510,022	215,935	-	-
- over 5 years	533,712	488,288	-	-
General and specific bad and doubtful debt provisions (see note 14)	(93,831)	(83,262)	-	-
	<u>2,022,746</u>	<u>1,362,453</u>	<u>412</u>	<u>70,412</u>
Due from other Citicorp/Citibank companies				
- unsubordinated	<u>-</u>	<u>-</u>	<u>412</u>	<u>70,412</u>
The following concentration is considered significant : (Amounts are before general and specific bad and doubtful debt provisions)			2000 £'000	1999 £'000
OECD commercial loans			1,070,837	535,578
UK residential mortgages			390,847	432,319
Charge and credit card debtors			235,779	206,452
Emerging Market commercial loans			229,602	146,798
Consumer loans			90,961	67,672
Overseas residential mortgages			31,669	56,926
Other			66,882	-
			<u>2,116,577</u>	<u>1,445,745</u>

The prior year figures have been revised to conform to current year presentation.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 14. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

#### Loans and advances to customers

The Group	Specific £'000	General £'000	2000 Total £'000	Specific £'000	General £'000	1999 Total £'000
At 1 January	75,887	7,375	83,262	85,126	5,642	90,768
Exchange adjustments	155	(5)	150	(3,322)	(94)	(3,416)
Charge against profits	7,488	5,882	13,370	3,215	959	4,174
Amounts written off	(8,359)	(1,577)	(9,936)	(12,465)	(251)	(12,716)
Recoveries	1,888	227	2,115	3,084	29	3,113
Other movements	4,216	654	4,870	249	1,090	1,339
At 31 December	<u>81,275</u>	<u>12,556</u>	<u>93,831</u>	<u>75,887</u>	<u>7,375</u>	<u>83,262</u>

The Group does not accrue for suspended interest.

### 15. LOANS AND LEASES SUBJECT TO NON-RECOURSE FINANCING ARRANGEMENTS

#### Securitised assets

All of the debts subject to the non-recourse financing arrangements relate to residential and business and commercial mortgages. During the year £2,576,000 (1999 : £4,589,000) was recognised in the profit and loss account of the Group, comprising interest receivable of £16,610,000 (1999 : £21,265,000) less interest payable and other expenses of £14,034,000 (1999 : £16,676,000).

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

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

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

Securitisation Company	Type of Mortgage	Date of Securitisation	At 31 December 2000		At 31 December 1999	
			Customer Loans	Returnable Finance	Customer Loans	Returnable Finance
			£'000	£'000	£'000	£'000
SONAR 2 plc	Business and commercial	17 October 1995	28,533	639	33,978	658
SONAR 1 plc	Business and commercial	12 December 1994	41,602	1,241	52,691	1,302
STARS 1 plc	Residential	10 December 1990	65,012	396	81,651	491
Private placements	Residential	1987 - 1989	10,520	10,000	35,043	30,000
Total			<u>145,667</u>	<u>12,276</u>	<u>203,363</u>	<u>32,451</u>

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

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 15. LOANS AND LEASES SUBJECT TO NON-RECOURSE FINANCING ARRANGEMENTS (continued)

In addition, the Group sold further lease receivables to a special purpose vehicle registered in the Cayman Islands. This transaction has been accounted for in accordance with FRS 5 using linked presentation. The linked presentation shows on the face of the balance sheet the finance deducted from the net investment in the securitised assets financed. This fairly reflects the substance of the transactions because:-

1. the Group has rights to benefit from and exposure to risks relating to its residual investment in the securitised assets but the maximum loss the Group can suffer is limited to its residual investments;
2. the Group is not obliged to support any losses on the special purpose vehicle and does not intend to do so; and
3. the special purpose vehicle is bound to seek repayment only to the extent that funds are generated by the securitised assets.

	2000 £'000
Investment in finance leases	31,053
Investment in operating leases	2,390
Securitised Asset	<u>33,443</u>
Securitised loan within creditors	<u>26,885</u>

### 16. OTHER DEBT SECURITIES

The Group	2000 £'000 Book and Market Value	1999 £'000 Book and Market Value
<b>Issued by public bodies :</b>		
- government securities	2,468,574	1,153,083
- other public sector securities	861	2,301
	<u>2,469,435</u>	<u>1,155,384</u>
<b>Issued by other issuers :</b>		
- other securities	1,158,305	187,970
	<u>1,158,305</u>	<u>187,970</u>
	<u>3,627,740</u>	<u>1,343,354</u>
Due within one year	1,916,187	299,345
Due one year and over	1,711,553	1,044,009
	<u>3,627,740</u>	<u>1,343,354</u>
<b>Other debt securities</b>		
- listed	2,469,435	1,155,384
- unlisted	1,158,305	187,970
	<u>3,627,740</u>	<u>1,343,354</u>

The cost of securities carried at market value is not disclosed, as it cannot be determined without unreasonable expense. Other debt securities are typically used as collateral for various real time clearing activities across Europe.



# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 17. EQUITY SECURITIES

	The Group	
	2000	1999
	Book and Market Value £'000	Book and Market Value £'000
<b>Investment securities</b>		
- listed	620	49
- unlisted	3,415	3,868
	<u>4,035</u>	<u>3,917</u>
<b>Other equity securities</b>		
- listed	84,702	78,410
	<u>84,702</u>	<u>78,410</u>
Total equity securities	<u>88,737</u>	<u>82,327</u>

	The Company	
	2000	1999
	Book and Market Value £'000	Book and Market Value £'000
<b>Investment securities</b>		
- unlisted	2,062	2,268
	<u>2,062</u>	<u>2,268</u>

The cost of securities carried at market value is not disclosed, as it cannot be determined without unreasonable expense. Equity securities are typically used to hedge trading activities in the warrants business.

### 18. PARTICIPATING INTERESTS

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

The Group	2000	1999
	£'000	£'000
Unlisted	<u>8,767</u>	<u>3,341</u>
	Cost	Cost
	£'000	£'000
At 1 January 2000	3,341	3,711
Acquisitions	6,563	1,234
Disposals	(251)	(212)
Reclassification of GIE PCC	-	(1,442)
Exchange adjustments	(886)	50
At 31 December 2000	<u>8,767</u>	<u>3,341</u>

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 18. PARTICIPATING INTERESTS (continued)

The Group has participating interests in the following entities:

	2000 £'000	1999 £'000	Country of Residence	Percentage Holding
Volbroker.com Limited	2,129	-	Great Britain	17.48%
EBS Partnership	2,178	2,010	Great Britain	7 %
Fincantieri	2,575	-	Italy	1%
FXNET Limited	21	21	Great Britain	9.68%
SNC CitiGestion	1	1	France	1 %
Other	1,863	1,309	France	Various
	<u>8,767</u>	<u>3,341</u>		

### 19. INVESTMENTS IN GROUP UNDERTAKINGS

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

	2000 £'000	1999 £'000
As at 1 January 2000	707,163	653,410
Acquisitions	91,550	25,470
Disposal	-	(8,558)
Foreign Exchange	781	(614)
Revaluation	94,439	37,455
As at 31 December 2000	<u>893,933</u>	<u>707,163</u>

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

The principal subsidiary undertakings of the Company are :

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

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

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

On 16 May 2000 the Group acquired 100% of the issued share capital of Citicorp Vendor Finance (Europe) Limited (formerly Copelco Limited).

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 20. FIXED ASSETS

The Group	Freehold Land & Buildings £'000	Short-term Leasehold Property £'000	Leasehold Improvements £'000	Furniture & Equipment £'000	Leased or Hire Purchase Assets £'000	Long Leasehold Property £'000	Total £'000
<b>Cost</b>							
1 January 2000	33,614	9,985	65,052	166,902	33,322	11,960	320,835
Acquisitions	24	-	-	7,912	28,866	-	36,802
Additions	-	171	30,075	108,299	17,385	-	155,930
Reclassifications	-	-	-	-	(150)	-	(150)
Assets written off	(100)	-	(2,325)	(2,364)	-	-	(4,789)
Disposals	(20,162)	(1,023)	(14,065)	(19,863)	(1,045)	-	(56,158)
Exchange adjustments	(5)	(106)	1,892	463	2,279	(5)	4,518
31 December 2000	<u>13,371</u>	<u>9,027</u>	<u>80,629</u>	<u>261,349</u>	<u>80,657</u>	<u>11,955</u>	<u>456,988</u>
<b>Depreciation</b>							
1 January 2000	7,607	6,276	40,719	105,004	7,303	2,278	169,187
Acquisitions	12	-	-	5,681	9,980	-	15,674
Assets written off	-	-	(547)	(2,544)	-	-	(3,091)
Transfers in							
Reclassification	1,471	-	(1,549)	-	14	78	14
Charged in year	1,914	2,072	4,873	45,022	6,732	345	60,957
Disposals	(7,274)	(1,534)	(14,046)	(15,560)	(662)	-	(39,076)
Exchange adjustments		(105)	(59)	431	622	(2)	887
31 December 2000	<u>3,730</u>	<u>6,709</u>	<u>29,391</u>	<u>138,034</u>	<u>23,989</u>	<u>2,699</u>	<u>204,552</u>
<b>Net Book Value</b>							
31 December 2000	<u>9,641</u>	<u>2,318</u>	<u>51,238</u>	<u>123,315</u>	<u>56,668</u>	<u>9,256</u>	<u>252,436</u>
31 December 1999	<u>26,007</u>	<u>3,709</u>	<u>24,333</u>	<u>61,898</u>	<u>26,019</u>	<u>9,682</u>	<u>151,648</u>

The net book value of Freehold Land not subject to depreciation is £5,911,000 (1999: £5,911,000).

The Group occupies substantially all the land and buildings for its own activities. The net book value of assets leased to customers was £24,517,000 (1999: £26,019,000) and included in cost is £1,958,360 of capitalised interest (1999: £1,205,360).

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 21. OTHER ASSETS

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Foreign exchange and interest rate contracts	568,345	188,408	-	-
Equity contracts	433,540	703,361	-	-
Counterparty receivables on sale of securities	1,244	-	-	-
Taxation recoverable	15,314	11,974	11,411	6,486
Dividends receivable	-	-	6,000	-
Other balances	316,421	104,666	16,407	4,121
	<u>1,334,864</u>	<u>1,008,409</u>	<u>33,818</u>	<u>10,607</u>

### 22. DEPOSITS BY BANKS

	The Group	
	2000	1999
	£'000	£'000
Repayable on demand	1,710,285	82,062
With agreed maturity dates or periods of notice, by Remaining maturity :		
- 3 months or less but not repayable on demand	3,597,203	2,056,823
- 1 year or less but over 3 months	968,611	254,416
- 5 years or less but over 1 year	846,135	87,469
- over 5 years	-	-
	<u>7,122,234</u>	<u>2,480,770</u>
Due to other Group companies		
- unsubordinated	<u>5,121,197</u>	<u>2,377,394</u>

### 23. CUSTOMER ACCOUNTS

	The Group	
	2000	1999
	£'000	£'000
Repayable on demand	579,090	174,336
With agreed maturity dates or periods of notice, by Remaining maturity :		
- 3 months or less but not repayable on demand	478,584	304,185
- 1 year or less but over 3 months	237,209	95,684
- 5 years or less but over 1 year	262,378	204,847
- over 5 years	-	-
	<u>1,557,261</u>	<u>779,052</u>
Due to parent companies	<u>369</u>	<u>4,243</u>

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 24. DEBT SECURITIES IN ISSUE

	The Group	
	2000	1999
	£'000	£'000
Bonds and medium term notes	-	-
Other debt securities in issue, by remaining maturity :		
- 3 months or less	392,763	-
- 1 year or less but over 3 months	118,616	20,000
- 5 years or less but over 1 year	-	10,000
	<u>511,379</u>	<u>30,000</u>

### 25. OTHER LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Equity securities	182,458	-	-	-
Debt securities – non-government securities	-	7	-	-
Equity shares	446,624	751,725	-	-
Foreign exchange and interest rate contracts	583,921	180,814	-	-
Counterparty payables on purchase of securities	149	372	-	-
Trade creditors of charge card business	54,800	55,432	-	-
Taxation - due within one year	86,118	41,625	-	-
Finance lease obligations (note 33)	-	-	-	-
Other balances	170,565	69,938	27,180	89,785
	<u>1,524,635</u>	<u>1,099,913</u>	<u>27,180</u>	<u>89,785</u>

### 26. DEFERRED TAXATION

	The Group	
	2000	1999
	£'000	£'000
The deferred tax liabilities have been recognised in full as follows :		
Capital allowances	(7,978)	(9,975)
Short-term timing differences	(12,754)	(4,186)
	<u>(20,732)</u>	<u>(14,161)</u>
At 1 January	(14,161)	(8,978)
Arising during the year	(6,571)	(5,209)
Exchange adjustments	-	26
At 31 December	<u>(20,732)</u>	<u>(14,161)</u>

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 27. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Pension Obligations and other post-retirement Benefit commitments £'000	Provision for Contingent liabilities and Commitments £'000	Restructuring Reserve £'000	Other £'000	Provision For loss on Discontinued Operations £'000	Total £'000
At 1 January 2000	2,242	4,391	16,999	241	2,600	26,473
Exchange adjustments	(337)	(197)	(216)	-	13	(737)
Acquisition of new branches	2,686	2,930	1,118	-	-	6,734
Charge to profits	-	5,730	1,263	461	385	7,839
Provisions utilised	(769)	(2,041)	(2,737)	(39)	(697)	(6,283)
At 31 December 2000	<u>3,822</u>	<u>10,813</u>	<u>16,427</u>	<u>663</u>	<u>2,301</u>	<u>34,026</u>

#### The Company

	Provision for Contingent liabilities and Commitments £'000	Total £'000
At 1 January 2000	761	761
Released to profits	-	-
Charge to profits	52	52
Provisions utilised	(49)	(49)
Transferred from Group Companies	177	177
At 31 December 2000	<u>941</u>	<u>941</u>

### 28. SUBORDINATED LIABILITIES

	2000 £'000	1999 £'000
Term loan capital from Parent company	<u>67,006</u>	<u>61,854</u>

Citibank, N.A. has made available a term subordinated facility in the form of dated floating rate notes up to a maximum aggregate amount of US \$100,000,000. The notes, which have a maturity of 31 December 2034 and are fully subordinated to the rights and claims of other creditors of the Company, bear interest at one percent below the London InterBank Offered Rate. Dated subordinated floating rate notes issued under this facility may not be redeemed without prior consultation with the Financial Services Authority. At 31 December 2000 US \$100,000,000 (£67,006,000) (1999: £61,854,000) of this facility had been drawn.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 29. CALLED UP SHARE CAPITAL

Authorised as at 31 December	2000 £'000	1999 £'000
<b>Sterling Ordinary shares of £1 each</b>		
1,000,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>500,000</u>

### 6.5% Fixed Rate Cumulative Redeemable Preference shares of £1 each.

600,000,000 Ordinary shares of £1 each	<u>600,000</u>	<u>-</u>
--	----------------	----------

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

	2000 £'000	1999 £'000
<b>Sterling Ordinary shares of £1 each</b>		
<b>Issued, called up and fully paid :</b>		
As at 1 January	483,663	459,015
45,579,694 shares issued at par during the year (1999 : 24,648,078)	45,580	24,648
As at 31 December	<u>529,243</u>	<u>483,663</u>

During the year the Directors issued and allotted an aggregate of 45,579,694 Ordinary shares of £1 each, at their par value, to Citibank Overseas Investment Corporation in consideration for the acquisition of 45,579,694 Sterling Ordinary shares of £1 each of the issued share capital of Citibank International plc.

	2000 £'000	1999 £'000
<b>6.5% Fixed Rate Cumulative Redeemable Preference shares of £1 each.</b>		
As at 1 January	-	-
45,970,355 shares issued at par during the year	45,970	-
As at 31 December	<u>45,970</u>	<u>-</u>

The Directors issued and allotted an aggregate of 42,581,081 of the newly created 6.5% fixed rate Cumulative Redeemable shares at their par value of £1, to Citibank Overseas Investment Corporation. This was used to acquire 99.2% of Citico – Gestora de Participações Sociais, Lda together with a further capital injection. A further 3,389,274 per cent. fixed rate cumulative preference shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation for the acquisition of 3,389,274 6.5 per cent. fixed rate cumulative redeemable preference shares of £1 each, fully paid, in Citibank International plc, pursuant to a Deed of Amendment dated 29 December 2000.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 30. RESERVES

The Group	Profit and loss Account £'000	Capital Contribution Reserve £'000	Total £'000
At 1 January 2000	324,670	566	325,236
Profit for the year	109,911	-	109,911
Other Recognised gains in the year	894	-	894
Currency translation differences	36	-	36
At 31 December 2000	<u>435,511</u>	<u>566</u>	<u>436,077</u>

The Company	Profit and loss Account £'000	Capital Contribution Reserve £'000	Revaluation Reserve £'000	Total £'000
At 1 January 2000	194,173	566	130,497	325,236
Retained profit for the year	15,394	-	-	15,394
Revaluation of subsidiary undertakings	-	-	95,333	95,333
Currency translation differences	114	-	-	114
At 31 December 2000	<u>209,681</u>	<u>566</u>	<u>225,830</u>	<u>436,077</u>

### 31. FINANCIAL INSTRUMENTS

#### Objectives, policies and strategies

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

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

- **Customer loans and deposits:** Customer loans and deposits (both retail and institutional) form a large part of the Company's business. The Company has detailed policies and strategies in respect of its customer loans and deposits which seek to minimise the risks associated with these financial instruments.
- **Investment securities** (equity shares and debt securities): The Company holds securities, excluding strategic investments, for use on a continuing basis in the Company's activities. The objective of holding such financial instruments is to generate funds over the term of the investment, in the form of distributions and/or appreciation in value. Funds generated are used in the Company's operations.
- **Finance** (money market loans and deposits, loan capital, debt securities in issue): The Company issues financial instruments to fund that portion of the Company's assets not funded by customer deposits. The objective of using financial instruments for financing purpose is to manage the Company's balance sheet in terms of minimising market risk. Responsibility for overseeing and implementing balance sheet management lies with the Company's Treasury department.



# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

- **Hedging** (loans and deposits): Where financial instruments form part of the Company's interest rate management strategy they are classified as hedges. The objective for holding financial instruments as hedges is to match or minimise the risk arising because of adverse movements in interest rates, exchange rates or equity prices. Cash products are the main instruments used for economically hedging the balance sheet.
- **Trading** (equity warrants, European commercial paper, foreign exchange, debt derivatives). The Company trades in financial instruments for its own account and to facilitate customer transactions. As a market maker in these products we facilitate a two way flow. Trading activity is restricted to certain areas in the Company and is subject to strict policies and limits. Responsibility for setting trading policies and monitoring adherence thereto lies with Company Risk Management.

#### Derivative financial instruments

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

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

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

All of the interest rate and customer generated foreign exchange derivative transactions have the associated risks transferred to other Citigroup entities.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

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

Maturity (original tenor) £'m	1year or less	1-5 years	Over 5 years	Total 2000
<b>Exchange Rate Contracts</b>				
Forwards and futures	5,800	2	-	5,802
Currency Swaps	561	297	478	1,336
Options	64	-	-	64
<b>Total Exchange Contracts</b>	<u>6,425</u>	<u>299</u>	<u>478</u>	<u>7,202</u>
<b>Interest Rate Contracts</b>				
Interest rate Swaps	1,677	1,003	1,434	4,114
Interest rate Options	186	156	45	387
<b>Total interest Rate Contracts</b>	<u>1,863</u>	<u>1,159</u>	<u>1,479</u>	<u>4,501</u>
<b>Equity Derivative Contracts</b>				
Warrants	290	11	1	302
Options	4,540	131	8	4,679
<b>Total Equity Derivative Contracts</b>	<u>4,830</u>	<u>142</u>	<u>9</u>	<u>4,981</u>
<b>Total at 31<sup>st</sup> December</b>	<u>13,118</u>	<u>1,600</u>	<u>1,966</u>	<u>16,684</u>
<b>Maturity (original tenor) £'m</b>	<b>1year or less</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total 1999</b>
<b>Exchange Rate Contracts</b>				
Forwards and futures	2,269	549	69	2,887
Currency Swaps	-	35	-	35
Options	337	-	-	337
<b>Total Exchange Contracts</b>	<u>2,606</u>	<u>584</u>	<u>69</u>	<u>3,259</u>
<b>Interest Rate Contracts</b>				
Interest rate Swaps	-	1,160	2,127	3,287
Interest rate Options	193	787	761	1,741
<b>Total interest Rate Contracts</b>	<u>193</u>	<u>1,947</u>	<u>2,888</u>	<u>5,028</u>
<b>Equity Derivative Contracts</b>				
Warrants	552	-	-	552
Options	3,259	2,652	637	6,548
<b>Total Equity Derivative Contracts</b>	<u>3,811</u>	<u>2,652</u>	<u>637</u>	<u>7,100</u>
<b>Total at 31<sup>st</sup> December</b>	<u>6,610</u>	<u>5,183</u>	<u>3,594</u>	<u>15,387</u>

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

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

	2000			1999		
	Notional Principal Amount £'m	Fair values		Notional principal amount £'m	Fair values	
		Asset £'m	Liability £'m		Asset £'m	Liability £'m
<b>Exchange rate related contracts</b>						
Forwards and futures	5,802	27	29	2,887	62	49
Currency swaps	1,336	122	122	35	2	2
Options	64	-	-	337	3	3
	<u>7,202</u>	<u>149</u>	<u>151</u>	<u>3,259</u>	<u>67</u>	<u>54</u>
<b>Interest rate related contracts</b>						
Interest rate swaps	4,114	132	87	3,287	121	121
Options	387	-	3	1,741	20	20
	<u>4,501</u>	<u>132</u>	<u>90</u>	<u>5,028</u>	<u>141</u>	<u>141</u>
<b>Equity and commodity related contracts</b>						
Warrants	302	141	-	552	254	12
Options	4,679	566	693	6,548	768	1,064
	<u>4,981</u>	<u>707</u>	<u>693</u>	<u>7,100</u>	<u>1,022</u>	<u>1,076</u>
<b>Effect of netting</b>		(266)	(266)		(338)	(338)
		<u>722</u>	<u>668</u>		<u>892</u>	<u>933</u>

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

### Risk Management

Risk management is the cornerstone of the Company's business. Risks arise from lending, trading and other activities routinely undertaken. The following sections summarise the processes that were in place during 2000 for managing the Company's major risks.

### Market Risk

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

The Company and its affiliate business and corporate oversight groups have well-defined market risk management responsibilities. Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market controls, policies and procedures, appropriate senior management risk oversight with thorough risk analysis and reporting, and independent risk management with capabilities to evaluate and monitor risk limits. Management of this process begins with the

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

professionals nearest to the Company's customers, products, and markets, and extends up to the senior executives who manage these businesses and to the country level. Market risk management is an evolutionary process that integrates changes in markets, products, and technologies into policies and practices. Periodic reviews are conducted by Audit Risk and Review to ensure compliance with institutional policies and procedures for the assessment, management, and control of market risk.

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

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

#### Trading Price Risk

The Company's principal trading price risks generated by the warrants and ECP business are governed by a comprehensive set of factor sensitivity limits, stress test and Value at Risk ("VaR") controls. The following table summarises trading price risk by disclosing the Company's highest, lowest and average exposure of its trading book to VaR during the reporting period, together with the exposure as at 31 December 2000:

During the year	2000		1999	
	Equity Warrants £'000	ECP £'000	Equity Warrants £'000	ECP £'000
Highest	3,332	152	2,801	123
Lowest	816	16	672	7
Average	1,747	64	1,328	50
As at 31 December	1,368	110	2,697	11

#### Risk Management (Continued)

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

Dealing profits are comprised of the following :	2000 £'000	1999 £'000
Equity Warrants	104,050	37,102
Equity Derivatives	-	(12,830)
Treasury (Mark-to-Market on Held for Sale Bonds)	14,707	(12,300)
European Commercial Paper	2,551	2,813
Other	-	4,284
	<u>121,308</u>	<u>19,069</u>

The prior figures have been revised to conform to current year presentation.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

#### Non-Trading Price Risk

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

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

The following table shows the contractual re-pricing terms for each category of non-trading asset and liability, together with management's estimate of the interest rate sensitivity gap for the Company as at 31 December 2000. Loans and advances to customers are shown on a gross basis before provisions for bad debts. Contractual re-pricing terms are shown according to management's expectations. Positions may not be reflective of those in subsequent periods. Major changes in position can be made promptly as market outlooks change. In addition significant variations in interest rate sensitivity may exist within the re-pricing periods presented and among the currencies in which the Company has interest rate positions.

#### Repricing Mismatches of Financial Assets and Liabilities

	3m or less £'m	3m-6m £'m	6m-1y £'m	1y-5y £'m	>5y £'m	Non- Interest Bearing £'m	Total £'m
<b>2000</b>							
<b>Assets</b>							
Cash & balances at central banks	10	-	-	-	-	-	10
Loans and advances to banks	3,730	297	388	98	-	-	4,513
Loans and advances to customers	883	142	48	510	534	-	2,117
Other Loans	-	-	-	-	12	-	12
Debt Securities & Treasury Bills	870	686	361	1,710	1	-	3,628
Total Assets	5,493	1,125	797	2,318	547	-	10,280
Non-interest earning assets	-	-	-	-	-	1,712	1,712
Total non-trading assets	5,493	1,125	797	2,318	547	1,712	11,992
<b>Liabilities</b>							
Deposits by banks	5,307	221	748	846	-	-	7,122
Customer Deposits	1,058	62	176	262	-	-	1,558
Subordinated Liabilities	-	-	-	-	67	-	67
	6,365	283	924	1,108	67	-	8,747
Interest free liabilities	-	-	-	-	-	2,234	2,234
Shareholder equity	-	-	-	-	-	1,011	1,011
Total non-trading liabilities	6,365	283	924	1,108	67	3,245	11,992
<b>Net Position</b>							
Interest Rate Sensitive Gap	(872)	842	(127)	1,210	480	(1,533)	
Cumulative Interest Rate Sensitivity Gap	(872)	(30)	(157)	1,053	573	(960)	
Cumulative Interest Rate Sensitivity Gap %	(7.3)	(2.5)	(1.3)	8.8	4.8	8.0	

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

1999	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Assets</b>							
Cash & balances at central banks	36	-	-	-	-	-	36
Loans and advances to banks	899	193	-	44	-	-	1,136
Loans and advances to customers	1,111	290	8	-	23	-	1,432
Other Loans	32	-	-	-	-	-	32
Debt Securities & Treasury Bills	-	107	113	1,123	-	-	1,343
Total Assets	2,078	590	121	1,167	23	-	3,979
Non-interest earning assets	-	-	-	-	-	245	245
Total non-trading assets	2,078	590	121	1,167	23	245	4,224
<b>Liabilities</b>							
Deposits by banks	1,192	17	1,209	64	-	-	2,482
Customer Deposits	663	106	-	2	-	-	771
Subordinated Liabilities	62	-	-	-	-	-	62
	1,917	123	1,209	66	-	-	3,315
Interest free liabilities	-	-	-	-	-	223	223
Shareholder equity	-	-	-	-	-	645	645
Total non-trading liabilities	1,917	123	1,209	66	-	868	4,183
<b>Net Position</b>							
Interest Rate Sensitive Gap	161	467	(1,088)	1,101	23	(623)	
Cumulative Interest Rate Sensitivity Gap	161	628	(460)	641	664	41	
Cumulative Interest Rate Sensitivity Gap %	4.0	15.8	(11.6)	16.1	16.7	1.0	

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

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

Functional Currency of Operations	Net Investments in Overseas Operations	
	2000 £'m	1999 £'m
Euro	3,725	952
Other	78	115
Total	3,803	1,067

The prior figures have been revised to conform to current year presentation. The Company fully hedges against any foreign exposure resulting from its investment in overseas operations.

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

#### Transactional Currency Exposures of the Non-Trading Book Functional Currency of the operation at 31 December

					<b>Total 2000</b>
<b>£'m</b>	<b>GBP</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>	
<b>GBP</b>	-	(0.80)	3.08	(1.01)	1.27
<b>USD</b>	-	-	-	-	-
<b>Euro</b>	(0.07)	7.28	-	0.54	7.75
<b>Others</b>	(0.30)	0.26	0.23	0.39	0.58
<b>Total</b>	(0.37)	6.74	3.31	(0.08)	9.60

					<b>Total 1999</b>
<b>£'m</b>	<b>GBP</b>	<b>USD</b>	<b>Euro</b>	<b>Others</b>	
<b>GBP</b>	-	(2.0)	(2.2)	(2.3)	(6.5)
<b>USD</b>	-	-	-	-	-
<b>Euro</b>	(0.6)	(1.7)	-	-	(2.3)
<b>Others</b>	0.6	0.1	(0.7)	0.2	0.2
<b>Total</b>	-	(3.6)	(2.9)	(2.1)	(8.6)

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

#### Liquidity Risk

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

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

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

#### Liquidity Risk (continued)

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

#### Credit Risk

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

# **Citibank Investments Limited and Subsidiaries**

## **NOTES TO THE ACCOUNTS (continued)**

### **31. FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

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

### **Operational Risk**

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

### **Hedges**

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

### **Fair Value Information**

For the trading book and derivatives held in the non-trading book, fair value is equal to the carrying values on the balance sheet. Fair values of publicly traded securities are disclosed in notes 15 and 16. Financial instruments (inter-bank placements and deposits) in the non-trading book that have a liquid or active market are carried at fair value.



# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

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

The Group	2000 Contract Amount £'000	2000 Risk Weighted Amount £'000	1999 Contract Amount £'000	1999 Risk Weighted Amount £'000
<b>CONTINGENT LIABILITIES</b>				
Guarantees and assets pledged as collateral				
- guarantees and irrevocable letters of credit	82,151	8,025	53,689	53,689
	<u>82,151</u>	<u>8,025</u>	<u>53,689</u>	<u>53,689</u>
<b>COMMITMENTS</b>				
Other commitments				
- documentary credits and short term trade related transactions.	339,625	290,343	695,818	695,818
- undrawn formal standby facilities, credit lines and other commitments to lend :				
- 1 year and over	2,374,409	1,084,504	2,173	2,173
- less than 1 year	259,018	-	613,123	-
	<u>2,973,052</u>	<u>1,374,847</u>	<u>1,311,114</u>	<u>697,991</u>

### 33. OPERATING LEASE COMMITMENTS

	Land and Buildings 2000 £'000	Other 2000 £'000	Total 2000 £'000
At the year end, the annual rental commitments under non-cancellable operating leases were as follows:			
Expiring :			
- within one year	142	38	180
- between one and five years	282	412	694
- in five years or more	2,598	-	2,598
Total	<u>3,022</u>	<u>450</u>	<u>3,472</u>

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 33. OPERATING LEASE COMMITMENTS (continued)

	Land and Buildings 1999 £'000	Other 1999 £'000	Total 1999 £'000
At the year end, the annual rental commitments under non-cancellable operating leases were as follows:			
Expiring :			
- within one year	688	5	693
- between one and five years	3,023	11	3,034
- in five years or more	4,637	-	4,637
Total	<u>8,348</u>	<u>16</u>	<u>8,364</u>

### 34. SEGMENTAL ANALYSIS

#### (i) Classes of businesses

2000	Corporate & Investment Banking £'000	Consumer Banking £'000	Asset Management Business £'000	Total £'000
Net interest receivable/(payable)	50,732	35,628	775	87,135
Total other income	288,722	73,379	24,175	386,276
Total expenses	<u>(176,850)</u>	<u>(97,274)</u>	<u>(1,470)</u>	<u>(275,594)</u>
Profit/(Loss) before provisions and tax	162,604	11,733	23,480	197,817
Provisions	<u>(11,159)</u>	<u>(10,050)</u>	<u>-</u>	<u>(21,209)</u>
Profit/(Loss) before tax	<u>151,445</u>	<u>1,683</u>	<u>23,480</u>	<u>176,608</u>
Total assets, including intersegment balances	<u>10,840,885</u>	<u>1,137,222</u>	<u>13,393</u>	<u>11,991,500</u>
1999	Corporate & Investment Banking £'000	Consumer Banking £'000	Asset Management Business £'000	Total £'000
Net interest receivable	32,976	19,194	22	52,192
Total other income	122,231	51,290	18,115	191,636
Total expenses	<u>(57,789)</u>	<u>(83,656)</u>	<u>(9,360)</u>	<u>(150,805)</u>
Profit/(Loss) before provisions and tax	97,418	(13,172)	8,777	93,023
Provisions	<u>1,708</u>	<u>(11,725)</u>	<u>0</u>	<u>(10,017)</u>
Profit/(Loss) before tax	<u>99,126</u>	<u>(24,897)</u>	<u>8,777</u>	<u>83,006</u>
Total assets, including intersegment balances	<u>4,347,384</u>	<u>1,021,990</u>	<u>8,257</u>	<u>5,377,631</u>

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

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 34. SEGMENTAL ANALYSIS (continued)

#### (ii) Geographical segments

#### 2000

	UK £'000	Europe £'000	Total £'000
Net interest receivable/(payable)	63,822	23,313	87,135
Dividend income	1,954	10,295	12,249
Net Fees and commissions receivable	71,434	49,930	121,364
Dealing profits	17,258	104,050	121,308
Other operating income	89,184	22,256	111,440
Profit on disposal of fixed asset	19,827	87	19,914
Total expenses	(190,813)	(84,781)	(275,594)
Profit/(Loss) before provisions and tax	72,666	125,151	197,817
Provisions	(16,506)	(4,703)	(21,209)
Profit/(Loss) before tax	56,160	120,448	176,608
Total assets	8,164,977	3,826,523	11,991,500

#### 1999

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

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

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

# Citibank Investments Limited and Subsidiaries

## NOTES TO THE ACCOUNTS (continued)

### 35. POST BALANCE SHEET EVENTS

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

In February 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 108,601,950 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated 27 February 2001 for a consideration of £108,602,000.

In March 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 2,636,996 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated February 2001 for an aggregate consideration of £2,637,000.

In August 2001 the Company acquired an additional 3,571,430 Class 'A' shares of 10 pence each in the share capital of Volbroker.com Limited, a company incorporated in Great Britain, for an aggregate cash consideration of £357,143. A further 2,600,000 Class 'A' shares of 10 pence of Volbroker.com Limited were acquired for an aggregate cash consideration of £260,000, increasing the Company's percentage holding of share capital to 20.72%.

In September 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 30,462,240 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated August 2001 for an aggregate consideration of £30,462,000.

On 28 September 2001 the Company acquired the whole of the issued share capital of Citibank Trustees (Ireland) Limited ("CTIL") from Citibank Overseas Investment Corporation ("COIC") for a consideration of £2,000,000. CTIL was then sold on to Citibank International plc on the same date, also for a consideration of £2,000,000.

In October 2001 the Company entered into a Subscription Agreement whereby Citigroup Capital Finance Ireland Limited subscribed for £335,750,000 Subordinated Floating Rate Notes due 2031 in the Company on that date. On the same date the Company entered into a further Subscription Agreement whereby Citigroup Partners UK subscribed for £350,000,000 Subordinated Floating Rate Notes due 2031 in the Company on that date.

In October 2001 the Company acquired from Citibank Overseas Investment Corporation an additional 1,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated September 2001 for a consideration of £1,000.

In October 2001 the Company subscribed for an additional 685,750,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc for a consideration of £685,750,000.

Share capital movements since the year end are as follows:

In February 2001 the Directors allotted 108,601,950 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 108,601,950 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated February 2001.

In March 2001 the Directors allotted 2,636,996 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 2,636,996 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated February 2001.

In September 2001 the Directors allotted 30,462,240 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 30,462,240 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated August 2001.

In October 2001 the Directors allotted 2,000,183 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of the whole of the issued share capital of Citibank Trustees (Ireland) Limited.

# **Citibank Investments Limited and Subsidiaries**

## **NOTES TO THE ACCOUNTS (continued)**

### **35. POST BALANCE SHEET EVENTS (continued)**

In October 2001 the Directors allotted 1,000 ordinary shares of £1 each, fully paid at par, to Citibank Overseas Investment Corporation in consideration for the acquisition of 1,000 sterling ordinary shares of £1 each, fully paid, in Citibank International plc pursuant to a Deed of Agreement dated September 2001.

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

The ultimate parent company is Citigroup Inc., incorporated in the United States of America under the laws of the State of Delaware. Copies of its accounts are available from its offices at 399 Park Avenue, New York, NY. 10043, USA.

The smallest group in which the results of the accounts are consolidated is that of Citibank N.A. Copies of these group accounts are available to the public and may be obtained from their offices at 399 Park Avenue, New York, NY. 10043, USA.