

**CITIBANK EUROPE PLC**

**(Registered Number: 132781)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

# CITIBANK EUROPE PLC

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# CITIBANK EUROPE PLC

## BOARD OF DIRECTORS AND OTHER INFORMATION

### DIRECTORS

Francesco Vanni d'Archirafi - Chairman  
Aidan Brady - Chief Executive Officer  
Jim Farrell\* - Independent Non-Executive  
Mark Fitzgerald  
Bo J. Hammerich - Non-Executive  
Brian Hayes  
Mary Lambkin\* - Independent Non-Executive  
Frank McCabe\* - Independent Non-Executive  
Terence O'Leary - Non-Executive  
Cecilia Ronan  
Patrick Scally\* - Non-Executive  
Christopher Teano - Non-Executive  
Tony Woods

### COMPANY SECRETARY

Deirdre Pepper

*\* Denotes Audit Committee Members*

### REGISTERED OFFICE

1 North Wall Quay, Dublin 1

### SOLICITORS

Matheson Ormsby Prentice  
70 Sir John Rogersons Quay, Dublin 2

A&L Goodbody  
International Financial Services Centre, North Wall Quay, Dublin 1

Arthur Cox Solicitors  
Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland

### AUDITOR

KPMG  
Chartered Accountants  
1 Harbourmaster Place, IFSC, Dublin 1

### BANKERS

Citibank NA, London Branch  
Citigroup Centre, Canada Square,  
Canary Wharf, London, E14 5LB

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of Citibank Europe plc ("the Company") for the year ended 31 December 2011.

Citigroup works tirelessly to serve individuals, communities, institutions and nations. With 200 years of experience meeting the world's toughest challenges and seizing its greatest opportunities, we strive to create the best outcomes for our clients with financial solutions that are simple, creative and responsible. It is an institution connecting over 1,000 cities, 160 countries and millions of people.

### Principal activities and business review

The Company, which was granted a banking licence by the Central Bank of Ireland under Section 9 of the Central Bank Act 1971, provides financial services to clients and other Citigroup businesses on a worldwide basis. The Company's head office is in Dublin, with branches in Poland, the Czech Republic, Hungary, Slovakia and Romania.

Although financial markets stabilised during 2011, both the ongoing euro crisis and the wider macroeconomic environment have remained challenging. Despite these difficult economic conditions the Company continued to perform strongly. The profit before tax of the Company for the year amounted to €755 million (2010: €557 million). The Company made a profit after tax for the year of €655 million (2010: €458 million).

The primary contributor of profits in the Company is the Global Transaction Services products which between them contributed profit before tax of €649 million in 2011 (2010: €572 million).

A key performance indicator for the Company is its cost/income ratio, which is calculated by dividing the total of personnel expenses and other expenses by operating income. In 2011 the Company's cost/income ratio was 38% (2010: 39%). This compares favourably with ultimate parent Citigroup who reported 65% (2010: 55%).

The Company's strategy is aligned with Citi's overall franchise goals of executing against five priorities:- client, capital, controls, cost and culture. The Company has put a special focus on research and development. It is dedicated to the pursuit of innovation within financial services through its Citi Innovation Lab (CIL).

During the year an interim dividend of €565 million was paid by the Company to the parent company, Citibank Holdings Ireland Limited (2010: nil) and the Directors do not recommend the payment of a final dividend (2010: nil).

### *Income*

Total operating income was €1,246 million, a 3% increase on the previous year (2010: €1,212 million). Net interest income increased by 17.3% to €392 million from €334 million in 2010.

### *Costs*

Operating expenses decreased by 0.4% year on year to €476 million (2010: €478 million).

### **Audit Committee**

The Audit Committee is a standing committee of the Board of Directors of the Company and is constituted and mandated in accordance with the European Communities (Statutory Audits) (Directive 2006/43/EC). Through an interactive process with the Company's senior management, Citi Internal Audit and the Independent Auditors, the Audit Committee receives information on, and oversees the adequacy of, the internal control environment established by management in relation to the Company's businesses as set out in more detail in the Terms of Reference for the Audit Committee.



# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS (continued)

### **Corporate Governance Code for Credit Institutions and Insurance undertakings**

The Company is subject to the Central Bank of Ireland's Corporate Governance Code for Credit Institutions and Insurance undertakings ("the Code"). Having been classified by the Central Bank of Ireland as a major institution, the Company is subject to the requirements in Appendix 1 of the Code (Annual Compliance Statement).

### **Regulatory capital requirements**

The Company's lead regulator, the Central Bank of Ireland, sets and monitors capital requirements for the Company. Please refer to note 13 for more detailed information. Further information on the Company's capital requirements and risk management ("Pillar 3 Disclosures") can be found in the other regulatory findings section at [www.citigroup.com/citi/fin](http://www.citigroup.com/citi/fin).

The company has complied with the minimum capital adequacy ratio of 8% throughout the period.

### **Financial instruments**

The financial risk management objectives and policies and the exposure to market risk, credit risk, and liquidity risk of the Company and its subsidiary undertakings have been disclosed in note 13 about Financial instruments and risk management.

### **Research & development**

The Company is actively pursuing research and development ("R&D") opportunities in all aspects of financial services business and is a centre of excellence through its CIL for the development of innovative financial products and solutions.

### **Overseas branches and subsidiaries**

The Company operates branches in Poland, the Czech Republic, Hungary, Slovakia and Romania and has a subsidiary in Hungary. The Company's branches contributed €143 million (2010: €105 million) to the profit before tax.

### **Political donations**

During the year the Company made no political donations (2010: nil).

### **Post balance sheet events**

On 1st January 2012, to further enhance its Investor Services offering, the Company acquired the assets, liabilities and business of group companies Citi Fund Services (Ireland), Limited and of Citi Hedge Fund Services (Ireland), Limited by way of a scheme of arrangement pursuant to Sections 201 - 203 of the Companies Act 1963.

On 1st March 2012, the Company changed its functional accounting currency from Euro to US dollar to better align its assets and liabilities.

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS (continued)

### Directors, secretary and their interests

The names of the Directors and Secretary who held office during 2011 were as follows:

William J. Mills (Chairman to 7th of December 2011)  
Francesco Vanni d'Archirafi (Chairman from 8th of December 2011)  
Aidan Brady (Chief Executive Officer)  
Sanjeeb Chaudhuri (resigned 8th April 2011)  
Jim Farrell (appointed 31th March 2011)  
Mark Fitzgerald  
Bo J. Hammerich  
Brian Hayes  
Mary Lambkin  
Frank McCabe  
Terence O'Leary  
Cecilia Ronan  
Patrick Scally  
Naveed Sultan (resigned 4th July 2011)  
Christopher Teano  
Tony Woods  
Deirdre Pepper (Secretary)

Neither the Directors, nor the Company Secretary, have any beneficial interest in the share capital of the Company. The Directors' and Secretary's interests in the shares of the ultimate holding company, Citigroup Inc., are as follows:

<b>Director/secretary</b>	<b>31-Dec-11 Common stock</b>	<b>31-Dec-10 Common stock*</b>
Francesco Vanni d'Archirafi	88,016	45,166
Aidan Brady	21,793	16,237
Jim Farrell	217	-
Mark Fitzgerald	8,124	3,862
Bo J. Hammerick	1,543	1,543
Brian Hayes	6,150	3,675
Mary Lambkin	500	500
Frank McCabe	4,785	4,785
Terence O'Leary	29,062	11,241
Deirdre Pepper	42	34
Cecelia Ronan	445	445
Patrick Scally	1,384	929
Christoper Teano	1,500	3,500
Tony Woods	1,430	1,038

\*Adjusted for reverse stock split.

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS (continued)

### Directors, secretary and their interests (continued)

The Company forms part of Citigroup Inc. ("the Group"). The Group operates a staff share option scheme and, in addition to the interests disclosed above, certain Directors of the Company have options to acquire shares in the ultimate parent holding company, Citigroup Inc. Full details are as follows:

### Stock options over common stock of Citigroup Inc. (notes (a) and (b))

Director/secretary	at 31 December 2010*	During the year		at 31 December 2011	Exercise Price US\$
		Granted	Exercised/ lapsed		
Francesco Vanni d'Archirafi	2,680	75,000	2,680	75,000	\$49.1
Aidan Brady	14,400	-	-	14,400	\$40.8
Jim Farrell	-	-	-	-	-
Mark Fitzgerald	2,691	-	-	2,691	\$40.8 - \$414.5
Bo J. Hammerick	1,543	-	-	1,543	\$40.8
Brian Hayes	8,059	-	-	8,059	\$40.8
Mary Lambkin	-	-	-	-	-
Frank McCabe	-	-	-	-	-
Terence O'Leary	7,358	-	1,971	5,387	\$40.8 - \$552
Deirdre Pepper	46	-	-	46	\$40.8
Cecelia Ronan	77	-	-	77	\$40.8 - \$495.4
Patrick Scally	754	-	-	754	\$40.8
Christoper Teano	4,977	-	-	4,977	\$40.8 - \$495
Tony Woods	4,172	-	-	4,172	\$40.8 - \$495

#### Notes:

- (a) Options outstanding, once vested, are exercisable at the discretion of the holders.
- (b) Details of the Share Option Scheme are contained in the financial statements of Citigroup Inc. The middle market price of Citigroup Inc. common stock at 31 December 2011 was US\$26.54 (2010: US\$47.3\*) and during the calendar year ended 31 December 2011, the closing price ranged from a low of US\$24.50 (2010: US\$31.5\*) to a high of US\$51.44 (2010: US\$49.7\*).

\*Adjusted for reverse stock split.

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS (continued)

### Directors' responsibilities for financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the E.U.

The Company's financial statements are required by law and IFRSs as adopted by the E.U. to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing each of the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the E.U.; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible 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.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009.

### Accounting records

The Directors believe that they have complied with the requirement of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 1 North Wall Quay, Dublin 1.

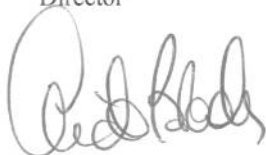
### Auditors

In accordance with Section 160(2) of the Companies Act 1963, the auditors, KPMG, Chartered Accountants, will continue in office.

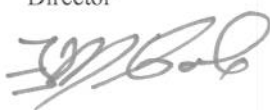
On behalf of the board:

22<sup>nd</sup> March 2012


Aidan Brady  
Director



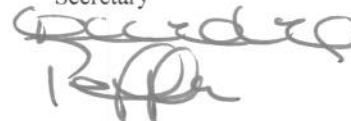
Frank McCabe  
Director



Mary Lambkin  
Director



Deirdre Pepper  
Secretary



# CITIBANK EUROPE PLC

## **Independent Auditor's Report to the Members of Citibank Europe plc**

We have audited the financial statements of Citibank Europe plc for the year ended 31 December 2011 which comprise of the Income statement, Statement of other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and independent auditors**

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the E.U. are set out in the Statement of Directors' Responsibilities on page 8.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the statement of financial position date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company's financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.





## CITIBANK EUROPE PLC

### Independent Auditor's Report to the Members of Citibank Europe plc (continued)

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

The net assets of the Company, as stated in the Company statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.



Jonathan Lew

for and on behalf of

**KPMG**

**Chartered Accountants, Statutory Audit firm,**

22<sup>nd</sup> March 2012

1 Harbourmaster Place

IFSC

Dublin 1



# CITIBANK EUROPE PLC

## INCOME STATEMENT

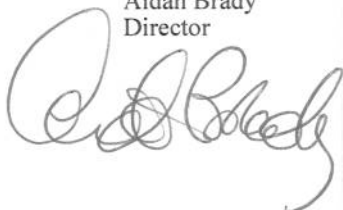
For the years ended 31 December 2011 and 31 December 2010

	Note	2011 € 000	2010 € 000
Interest income		494,182	414,472
Interest expense		(102,503)	(80,631)
<b>Net interest income</b>	<b>3</b>	<b>391,679</b>	<b>333,841</b>
Net fee and commission income	<b>4</b>	779,193	772,683
Net trading income	<b>5</b>	65,780	89,699
Other operating income	<b>6</b>	9,688	15,759
Dividend income		111	431
<b>Operating income</b>		<b>1,246,451</b>	<b>1,212,413</b>
Net credit losses	<b>13</b>	(15,501)	(79,990)
Personnel expenses	<b>7</b>	(199,390)	(192,081)
Other expenses	<b>8</b>	(276,923)	(285,546)
Impairment on goodwill	<b>20</b>	-	(98,000)
<b>Profit before income tax</b>		<b>754,637</b>	<b>556,796</b>
Income tax expense	<b>10</b>	(99,579)	(98,612)
<b>Profit for the year</b>		<b>655,058</b>	<b>458,184</b>

The current year profit arises solely from continuing operations.

The financial statements were approved by the Board of Directors on 22<sup>nd</sup> March 2012 and signed on their behalf by:

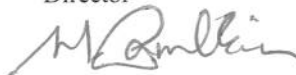
Aidan Brady  
Director



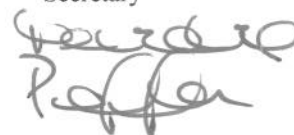
Frank McCabe  
Director



Mary Lambkin  
Director



Deirdre Pepper  
Secretary



# CITIBANK EUROPE PLC

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2011 and 31 December 2010

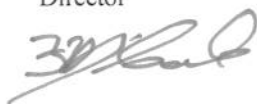
	Note	2011 € 000	2010 € 000
Profit for the year	28	<u>655,058</u>	<u>458,184</u>
<b>Other comprehensive income, net of income tax</b>			
Net loss on available-for-sale financial assets	28	(15,745)	(14,277)
Exchange differences on translation of foreign operations	28	704	(7,464)
Share based payments	28	<u>1,326</u>	<u>447</u>
Other comprehensive income for the year, net of tax		(13,715)	(21,294)
<b>Total comprehensive income for the year</b>		<u><u>641,343</u></u>	<u><u>436,890</u></u>

The financial statements were approved by the Board of Directors on 22<sup>nd</sup> March 2012 and signed on their behalf by:

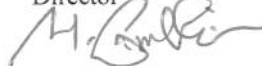
Aidan Brady  
Director



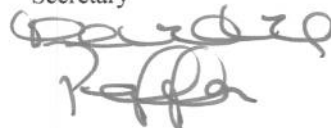
Frank McCabe  
Director



Mary Lambkin  
Director



Deirdre Pepper  
Secretary



# CITIBANK EUROPE PLC

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 and 31 December 2010

	Note	2011 € 000	2010 € 000
<b>Assets</b>			
Cash and balances at central bank	11	1,225,567	996,999
Trading assets	12,14	573,375	235,762
Derivative financial instruments	14,16	2,060,616	1,539,872
Loans and advances to banks	14	7,786,983	7,465,615
Loans and advances to customers	14	6,504,151	4,866,231
Investment securities	14,15	2,039,222	1,605,485
Shares in subsidiary undertakings	18	1,272	1,295
Property and equipment	19	21,572	26,193
Goodwill and intangible assets	20	219,213	206,806
Non current assets - held for sale	21	-	53,912
Current income tax		5,095	-
Deferred tax assets	22	11,324	10,453
Prepayments and accrued income		106,022	109,706
Other assets	14	384,839	230,677
<b>Total assets</b>		<u>20,939,251</u>	<u>17,349,006</u>
<b>Liabilities</b>			
Deposits by banks	14	6,267,703	3,690,517
Customer accounts	14	6,651,448	6,592,415
Derivative financial instruments	14,16	2,139,233	1,583,466
Accruals and deferred income		136,704	140,010
Current income tax		5,175	2,617
Other liabilities	17	1,700,451	1,377,787
<b>Total liabilities</b>		<u>16,900,714</u>	<u>13,386,812</u>
<b>Equity shareholders' funds</b>			
Share capital	23, 28	9,318	9,318
Share premium account	28	1,111,484	1,111,484
Capital reserves	28	279,538	279,538
Other reserves	28	(36,890)	(23,174)
Retained earnings	28	2,675,087	2,585,028
Total equity attributable to equity holders		4,038,537	3,962,194
<b>Total liabilities and equity shareholders' funds</b>		<u>20,939,251</u>	<u>17,349,006</u>

The financial statements were approved by the Board of Directors on 22<sup>nd</sup> March 2012 and signed on their behalf by:

Aidan Brady  
Director

Frank McCabe  
Director

Mary Lambkin  
Director

Deirdre Pepper  
Secretary






# CITIBANK EUROPE PLC

## STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2011 and 31 December 2010

		Share Capital € '000	Share Premium € '000	Capital Reserve € '000	Other Reserves € '000	Retained Earnings € '000	Total € '000
<b>Balance at 1 January 2011</b>	Note	9,318	1,111,484	279,538	(23,174)	2,585,028	3,962,194
<b>Total comprehensive income for the year</b>							
Profit for the year	28	-	-	-	-	655,058	655,058
Net loss on available-for-sale financial assets	28	-	-	-	(15,745)	-	(15,745)
Exchange differences on translation of foreign operations	28	-	-	-	704	-	704
Share based payments	28	-	-	-	1,326	-	1,326
<b>Total comprehensive income for the year</b>		-	-	-	(13,715)	655,058	641,343
<b>Transactions with owners, recorded directly in equity</b>							
Dividends/remittances		-	-	-	-	(565,000)	(565,000)
Total contributions by and distributions to owners		-	-	-	-	(565,000)	(565,000)
<b>Balance at 31 December 2011</b>		<u>9,318</u>	<u>1,111,484</u>	<u>279,538</u>	<u>(36,889)</u>	<u>2,675,086</u>	<u>4,038,537</u>
		Share Capital € '000	Share Premium € '000	Capital Reserve € '000	Other Reserves € '000	Retained Earnings € '000	Total € '000
<b>Balance at 1 January 2010</b>		9,318	1,111,484	279,538	(894)	2,125,858	3,525,304
<b>Total comprehensive income for the year</b>							
Profit for the year	28	-	-	-	-	458,184	458,184
Net loss on available-for-sale financial assets	28	-	-	-	(14,277)	-	(14,277)
Exchange differences on translation of foreign operations	28	-	-	-	(8,450)	986	(7,464)
Share based payments	28	-	-	-	447	-	447
<b>Total comprehensive income for the year</b>		-	-	-	(22,280)	459,170	436,890
<b>Balance at 31 December 2010</b>		<u>9,318</u>	<u>1,111,484</u>	<u>279,538</u>	<u>(23,174)</u>	<u>2,585,028</u>	<u>3,962,194</u>

# CITIBANK EUROPE PLC

## STATEMENT OF CASH FLOWS

For the years ended 31 December 2011 and 31 December 2010

	Note	2011 € 000	2010 € 000
<b>Cash flows from operating activities</b>			
Profit before tax		754,637	556,796
<i>Adjustments for:</i>			
Dividend income		(111)	(431)
Depreciation of property and equipment	8	6,414	7,968
Amortisation of intangibles	8	7,662	8,533
Net impairment loss on loans and advances	13	15,501	79,990
Impairment on goodwill	20	-	98,000
Finance income		(494,182)	(414,472)
Finance costs		102,502	80,631
Change in trading assets		(179,471)	(151,024)
Change in derivative financial instrument assets		(520,744)	239,149
Change in loans and advances to banks (greater than 3 months)		(906,628)	1,670,871
Change in loans and advances to customers		(1,637,920)	(1,983,862)
Change in prepayments and accrued income		3,684	27,077
Change in other assets		(160,128)	(15,173)
Change in non-current assets held for sale		53,912	-
Change in deposits from banks		2,577,186	2,689,466
Change in customer account balances		59,033	(305,978)
Change in derivative financial instrument liabilities		555,767	(249,670)
Change in debt securities in issue		-	(7,212)
Change in accruals and deferred income		(3,306)	56,740
Change in other liabilities		329,956	187,345
		<u>563,764</u>	<u>2,574,744</u>
Interest received		494,182	414,472
Interest paid		(102,503)	(80,631)
Income tax paid		(102,986)	(92,683)
Effect of exchange translations and other adjustments		104,508	(17,409)
		<u>956,965</u>	<u>2,798,493</u>
<b>Net cash from / (used in) operating activities</b>			
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(15,663,088)	(13,929,489)
Disposal of investment securities		15,110,478	13,214,916
Acquisition of property and equipment	19	(4,700)	-
Proceeds from disposal of property and equipment	19	1,136	(7,770)
Acquisition of intangible assets	20	(18,999)	(49,893)
Proceeds from disposal of intangible assets	20	3	492
Dividends received from subsidiary companies		111	431
Disposal of subsidiary undertaking	18	45	-
		<u>(575,014)</u>	<u>(771,313)</u>
<b>Net cash (used in) / from investing activities</b>			
<b>Financing activities</b>			
Dividends paid to parent		(565,000)	-
		<u>(565,000)</u>	<u>-</u>
<b>Net cash (used in) / from financing activities</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(183,048)	2,027,180
Cash and cash equivalents at beginning of year	11	6,611,195	4,584,015
		<u>6,428,147</u>	<u>6,611,195</u>
<b>Cash and cash equivalents at end of year</b>			

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

The accounting policies which have been applied are set out below:

#### a) Reporting entity

Citibank Europe Plc (the "Company") is a company domiciled in Ireland. The address of the Company's registered office is 1 North Wall Quay, Dublin 1. The Company is involved in the provision of banking services on a worldwide basis.

#### b) Basis of presentation

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

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

The Company's single subsidiary undertaking has not been consolidated within the Company accounts as it is not deemed material in accordance with European Communities (Credit Institutions : Account) Regulations, S.I. No. 294/1992, Regulation 7, Part 2, Par. 2(2).

There are a number of accounting standards and interpretations that have been issued by the International Accounting Standards Board (IASB), but which are not yet been adopted by the E.U. so are not effective for the Company and Group financial statements, these include:

- The first phase of IFRS 9 'Financial Instruments' covering the requirements for the classification and measurement of financial assets is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 does not require the restatement of comparative-period financial statements for the initial application, but instead require modified disclosures on the effect of transition. As the standard is subject to EU endorsement, the timing of which is uncertain the Group is unable to provide a date by which it plans to apply the standard. In addition, the IASB is in the process of considering limited improvements to the classification and measurement model in IFRS 9 in an attempt to align closer with the US GAAP model. An exposure draft is expected in the second half of 2012.
- The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting. The original expected completion date has been extended, with exposure drafts for the second and third phases expected by the end of 2012. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's project to replace IAS 39. As a result, it is impracticable to quantify the impact of IFRS 9 at this time.

The Group is currently assessing the impact of the following standards due in 2013.

- IFRS 10 'Consolidated Financial Statements' is effective for periods beginning after 1 January 2013. Under IFRS 10 there will be one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage, replacing the current approach which emphasis legal control or exposure to risks and rewards, depending on the nature of the entity.
- IFRS 11 'Joint Arrangements' is effective from 1 January 2013. IFRS 12 'Disclosures of interest in other entities' is effective from 1 January 2013. In IFRS 11 more emphasis is placed on the investors' rights and obligations than on structure of the arrangement, introducing the concept of a joint operation.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### b) Basis of presentation (continued)

- IFRS 12 'Disclosure of Interests in Other Entities' is effective for periods beginning after 1 January 2013. IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements and associates, introducing new requirements for unconsolidated structured entities.
- IFRS 13 'Fair Value Measurements' is effective for periods beginning after 1 January 2013. IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRSs.
- IAS 19 'Employee Benefits' revised. The revised standard is effective for periods beginning on or after 1 January 2013.

The IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' in December 2011. The revised standard clarifies the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS32 'Financial Instruments: Presentation' and is effective for periods beginning on or after 1 January 2014.

#### e) Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional currency. In some cases as indicated, financial information presented in Euro has been rounded to the nearest thousand or million as deemed appropriate.

#### d) Net interest income

Interest income and expense on financial assets and liabilities is recognised in the income statement using the effective interest rate method. Under this method, fees and direct costs relating to loan origination, re-financing or restructuring and to loan commitments are deferred and amortised to interest earned on loans and advances over the life of the instrument. When calculating the effective interest rate, the Company estimates future cashflows considering all contracted terms of the financial instrument, but no future credit losses.

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis.
- Interest on available-for-sale investment securities.
- Interest on cash balances

#### e) Net fee and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including transaction processing fees, account servicing fees, transaction processing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Maintenance fees are applied to certain pre-paid card balances if the account suffers an extended period of inactivity. These fees are recorded in fee income as they are earned. To the extent that upfront fees are capitalised but subsequently there is a partial sell down of the related asset, the fees are released to the income statement in proportion to the amount of the loan sold down.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

#### f) Net trading income

Net trading income on items at fair value through profit and loss comprises all gains and losses related to trading assets and liabilities and financial instruments designated at fair value through profit or loss, and include all realised and unrealised fair value changes, together with related interest, dividends and foreign exchange differences.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### g) Dividend income

Dividend income is recognised when the right to receive income is established.

#### h) Financial assets and liabilities

##### *Recognition*

The company initially recognises loans and advances and deposits on the date at which cashflow occurs. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

##### *Trading assets*

The trading book of the Company consists of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are free from any restrictive covenants on their tradability or are able to be hedged. Positions held with trading intent are those held intentionally for short-term resale and / or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations. The term 'positions' shall include proprietary positions and positions arising from client servicing and market making.

Trading intent is evidenced on the basis of the strategies, policies and procedures established by the Company to manage the position or portfolio.

##### *Loans and receivables and other assets*

Loans and receivables and other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. They comprise Loans and Advances to Banks, Loans and Advances to Customers and Other Assets.

Loans and advances are initially recognised at fair value, which is the cash given to originate the loan, and subsequently measured at amortised cost using the effective interest rate method, less any impairment charges. Where substantially all the risk and rewards relating to amounts receivable under loan agreements are transferred to another party, neither the amounts receivable under the loans nor the amounts payable to the other party are recognised in the financial statements as assets and liabilities and only the excess of interest received over interest paid is dealt with in the income statement.

##### *Financial assets at fair value through the profit and loss*

During 2010, the Company acquired a group of loans at fair value. At the same time, the Company entered into interest rate swaps to manage the interest rate risk of the acquired loans. The loans have been designated at fair value through the profit and loss in order to avoid any accounting mismatch between an accrual basis loan and a fair valued derivative. Any mark-to-market gains or losses on the loans and the swaps are taken directly to the income statement.

Other assets primarily comprise amounts receivable in relation to non pre-funded payments and are measured at cost.

##### *Derivative contracts*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets and using valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in fair value are recognised in the income statement.

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Company accounts for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivative are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### h) Financial assets and liabilities (continued)

their classification, and are presented in the statement of financial position together with the host contract. In 2011 the Company had no embedded derivatives (2010: nil).

##### *Investment securities*

Investment securities are recognised on a trade date basis and are classified as available-for-sale.

Available-for-sale investment securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investment securities are initially recognised at fair value and subsequently measured at fair value with the changes in the fair value reported as a separate component of equity except for impairment charges which are recognised directly in the income statement.

The translation of gains and losses on foreign currency debt securities is taken directly through the income statement. When available-for-sale investment securities are sold or impaired the cumulative gain or loss previously recognised in equity is transferred to the income statement and disclosed within net trading income.

When the Company sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Company's financial statement.

##### *Financial liabilities*

Deposits by banks, customer accounts, accruals and deferred income, investment securities in issue and other liabilities are measured at amortised cost. Other liabilities are primarily made up of amounts payable to both intercompany and third party organisations.

##### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

#### i) Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset prior to the statement of financial position date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. Objective evidence that a financial asset or a portfolio is impaired includes observable data that comes to the attention of the Company about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### i) Impairment of financial assets (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to income statement. The cumulative loss that is removed from equity and recognised in income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale investment security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any other subsequent recovery in the fair value of an impaired available-for-sale investment security is recognised directly in equity.

For loans and advances the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows considering collateral, discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account or offsetted against the loan balance and the amount of the loss is included in the income statement.

Following impairment, interest income is recognised using the original effective interest rate. The Company discounts future cash flows for the purpose of measuring the impairment loss, using the original effective interest rate, applied to the revised carrying amount.

When a loan is un-collectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recorded against net credit losses in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised against net credit losses in the income statement.

#### j) De-recognition of financial assets and liabilities

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### k) Property and equipment

Items of property and equipment are stated at cost, less accumulated depreciation and impairment losses (see below). Depreciation is provided to write off the cost, less the estimated residual value of each asset, on a straight-line basis over their estimated useful lives. Estimated useful lives of vehicles, furniture and equipment are between one and seven years.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### l) Goodwill and intangible assets

##### *(i) Goodwill*

Acquired goodwill represents the excess of the cost of an acquisition over the net fair value of the Company's share of the net identifiable assets, liabilities and contingent liabilities of the acquired undertaking at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is stated at cost less any accumulated impairment losses. Goodwill with an indefinite life is tested for impairment at least annually.

##### *(ii) Other intangible assets*

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised cost of internally developed software includes all internal and external costs directly attributable to developing the software and are amortised over its useful life.

Amortisation is charged to the income statement using the methods that best reflect the economic benefits over their estimated useful economic lives. The estimated useful life of software is three to seven years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

#### m) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its goodwill and intangible assets or property and equipment are impaired. These non-financial assets are tested for impairment annually or more frequently if events or changes in circumstance indicate that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment losses in respect of goodwill are not reversed. Impairment losses are recognised in the income statement. Note 2 provides additional details of estimates and judgements related to impairment on non-financial assets.

#### n) Income taxes

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

Deferred tax assets and liabilities are recognised for taxable and deductible temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that there will be suitable profits available against which these differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the statement of financial position date.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### n) Income taxes (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred taxes are recognised as income tax benefit or expense in the income statement.

#### o) Foreign currencies

Transactions in foreign currencies are translated to Euro at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Euro at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency of each branch at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency of each branch translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

The assets and liabilities of overseas branches are translated into the Company's presentation currency at the rate of exchange as at the statement of financial position date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

#### p) Employee benefits

##### *Defined contribution plans*

The Company operates a number of defined contribution pension schemes. The Company's annual contributions are charged to the income statement in the period to which they relate. The pension scheme's assets are held in separate trustee administered funds.

##### *Short term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Termination benefits*

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of the offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### q) Share based incentive plans

The Company participates in a number of Citigroup Inc. (“Citigroup”) share-based incentive plans under which Citigroup grants shares to the Company’s employees. Pursuant to a separate Stock Plans Affiliate Participation Agreement (“SPAPA”) the Company makes a cash settlement to Citigroup for the fair value of the share-based incentive awards delivered to the Company’s employees under these plans.

The Company recognises the fair value of the awards at the grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup. All amounts paid to Citigroup, and the associated obligation under the SPAPA are recognised in equity over the vesting period. Subsequent changes in the fair value of all unexercised awards and the SPAPA are reviewed annually and any changes in value are recognised in equity, again over the vesting period.

#### r) Accounting for government grants

Grants are credited to the income statement to offset the matching expenditure. Where grants are repayable, should the Company cease to meet certain conditions over a defined period, such amounts are credited to the income statement account on a straight-line basis over that period.

#### s) Accounting for business combinations

Goodwill represents the excess of the cost of the acquisition over the Company’s interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

#### t) Cash and cash equivalents

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

#### u) Provisions

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

#### v) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term and are included within “Other expenses”.

#### w) Subsidiary undertakings

Shares in subsidiary undertakings, comprising unlisted securities, are shown at cost less allowance for impairment.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Use of estimates and judgements

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

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

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

When preparing the financial statements, it is the Directors' responsibility under Irish company law to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to the Company's IFRSs results and financial position, in terms of the materiality of the items to which the policy is applied, or which involve a high degree of judgment or estimation are:

#### *Impairment of loans*

The Company's accounting policy for losses in relation to the impairment of customer loans and advances is described in Note 1(i). In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from individually significant loans or from a loan portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows.

#### *Impairment testing of goodwill*

Management used judgement in determining whether there was an impairment loss on goodwill recognised as part of the Czech branch conversion on 1 January 2008. A value in use calculation is used to determine if any impairment of the assets and liabilities of the Czech branch had occurred.

The carry value brought forward to 2011 was €182mm (€280mm as originally calculated less €98mm impairment charge 2010). In the current year, the value in use calculation did not give rise to an impairment of the assets and liabilities of the Czech branch (2010: €98mm).

The value in use calculation was based on forecasted EBIT for the next three years and financial projections based on macroeconomic indicators and future business strategies were extrapolated out to a total of 15 years. The forecasted EBIT growth used in the current year was 3% (2010: 5%). The value in use calculation of discounted cash flows resulted in higher net present value of discounted cashflows than the carrying amount of goodwill, thus giving rise to no impairment losses (2010: €98mm) being recognised during 2011. The current year discount rate was 13.35% (2010: 12.37%). Note 20 further discusses "Impairment testing on goodwill".

There was no reduction in the value of goodwill from prior year primarily driven by a better current base year in 2011 than in 2010 with increased revenues and lower Cost of Credit charges.

The key assumptions described above may change as economic and market conditions change.

#### *Valuation of intangible assets*

Management may be required to use estimates on the valuation of certain material intangible assets and may use external professional advice to assist with this process. Note 20 further discusses "Valuation of intangible assets".



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Use of estimates and judgements (continued)

#### *Valuation of financial instruments*

The Company's accounting policy for valuation of financial instruments is included in Note 1(h). The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data, where this is not possible management may be required to make estimates. Note 14 further outlines the valuation of financial instruments.

#### *Share-based incentive plans*

The Company participates in a number of Citigroup share-based incentive plans. Awards granted through Citigroup's Stock Option Program are measured by applying an option pricing model, taking into account the terms and conditions of the program. Analysis of past exercise behaviour, Citigroup's dividend history and historical volatility are inputs to the valuation model. Note 24 further discusses "Share-based incentive plans".

#### *Deferred tax assets*

A deferred tax asset is recognised to the extent that it is probable that suitable future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of suitable future taxable profits, future reversals of existing taxable temporary differences and planning strategies. Note 12 further discusses "Deferred tax assets".

### 3. Net interest income

	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>Interest and similar income</b>		
Loans and advances to banks	111,605	78,532
Loans and advances to customers	284,932	256,971
Investment securities - available for sale	94,518	77,893
Other interest income	3,127	1,076
	<u>494,182</u>	<u>414,472</u>
<b>Interest expense and similar charges</b>		
Deposits by banks	40,812	17,492
Customer accounts	61,660	62,711
Other interest paid	31	428
	<u>102,503</u>	<u>80,631</u>
<b>Net interest income</b>	<u><u>391,679</u></u>	<u><u>333,841</u></u>

Included in interest income is a total of €6 million (2010: €6 million) accrued on impaired loans. Total interest income and expense, calculated using the effective interest rate method, reported above that relates to financial assets and liabilities not carried at fair value through the income statement is €368 million (2010: €322 million). Included in the income statement is a net loss of €13.6 million (2010: €6.3 million loss) in relation to loans recognised at fair value through the profit and loss.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Net fee and commission income

	2011		
	€ 000	€ 000	€ 000
	Consumer	Institutional	Total
Fee and commission income	64,339	756,039	820,378
Fee and commission expense	(20,166)	(21,019)	(41,185)
<b>Net fee and commission income</b>	<b>44,173</b>	<b>735,020</b>	<b>779,193</b>

	2010		
	€ 000	€ 000	€ 000
	Consumer	Institutional	Total
Fee and commission income	54,761	752,574	807,335
Fee and commission expense	(13,537)	(21,115)	(34,652)
<b>Net fee and commission income</b>	<b>41,224</b>	<b>731,459</b>	<b>772,683</b>

Included in fee and commission income are fees earned by the Company on trust activities where the Company holds assets on behalf of its customers. This fee income totalled €38.7 million in 2011 (2010: €46 million).

### 5. Net trading income

	2011	2010
	€ 000	€ 000
Trading securities	4,207	28,899
Trading derivatives	61,573	60,800
	<b>65,780</b>	<b>89,699</b>

### 6. Other operating income

Other operating income consists mainly of other intergroup income and other miscellaneous income (2011: €9.6 million, 2010: €15.8 million).

### 7. Personnel expenses

The average number of persons employed by the Company during the year was 3,949 (2010: 3,965).

	2011	2010
	€ 000	€ 000
Employee remuneration	159,216	154,854
Share based payments	5,030	5,367
Pension costs	5,094	3,788
Social security costs	30,050	28,072
	<b>199,390</b>	<b>192,081</b>

The Company operates a number of defined contribution pension schemes. During the year contributions of €5.1 million (2010: €3.8 million) were made to the scheme. The assets of the scheme are held separately from those of the Company in an external independently administered fund. Contributions of €nil (2010: €nil) were payable to these schemes at the year-end. Note 24 provides further details of share-based incentive plans.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Other expenses

Profit before tax is arrived at after charging for:

	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
Research and Development	14,900	8,500
Depreciation	6,414	7,968
Amortisation	7,662	8,533
Auditors' remuneration		
- audit of company's individual statutory accounts	295	135
- audit of group accounts	37	24
- other assurance services	31	43

No other fees were paid to the auditor during 2011 (2010: €nil).

### 9. Directors' emoluments

	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
Aggregate emoluments		
- fees	225	125
- other remuneration, including pension contributions	3,639	2,618
	<u>3,864</u>	<u>2,743</u>

### 10. Tax on profit on ordinary activities

#### (a) Analysis of tax charge in the year:

	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
<b>Current tax:</b>		
Corporation tax on profits of the period	(98,708)	(96,846)
Total current tax	<u>(98,708)</u>	<u>(96,846)</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences		
Current year deferred tax	<u>(871)</u>	<u>(1,766)</u>
Total deferred tax (note 22)	<u>(871)</u>	<u>(1,766)</u>
<b>Total income tax expense</b>	<u><u>(99,579)</u></u>	<u><u>(98,612)</u></u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Tax on profit on ordinary activities (continued)

#### (b) Reconciliation of effective tax rate:

	2011 € 000	2010 € 000
Profit before income tax	754,637	556,796
Income tax at Irish corporation tax rate of 12.5%	(94,323)	(69,600)
Effects of:		
Income taxes paid in foreign jurisdictions	(26,448)	(26,182)
Capital allowances and other timing differences	1,021	2,246
Non deductible expenses	784	(5,653)
Double tax relief credit	18,374	12,837
Impairment of goodwill	-	(12,250)
Double taxation relief adjustment	1,009	1,668
Utilisation of losses bought forward	91	91
Other	784	(3)
<b>Corporation tax on profits of the period</b>	<u>(98,708)</u>	<u>(96,846)</u>

### 11. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances that mature within three months:

	2011 € 000	2010 € 000
Cash and balances at central bank	1,225,567	996,999
Loans and advances to banks with maturity less than 3 months	5,043,273	5,613,031
Trading assets - government bonds with maturity less than 3 months	159,307	1,165
	<u>6,428,147</u>	<u>6,611,195</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Trading assets

	2011 € 000	2010 € 000
Government bonds with maturity less than three months	159,307	1,165
Government bonds with maturity greater than three months	<u>414,068</u>	<u>234,597</u>
Total trading assets	<u>573,375</u>	<u>235,762</u>

### 13. Financial instruments and risk management

#### Objectives, policies and strategies

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

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

- **Loans and deposits:** Loans and deposits form a large part of the Company's business. The Company has detailed policies and strategies in respect of its customer loans and deposits that seek to minimise the risks associated with these financial instruments.
- **Investment 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 primarily to hedge interest rate exposure and to manage cash positions.
- **Derivative trading and hedging:** Where financial instruments form part of the Company's management strategy they are classified as economic hedges. The objective for holding financial instruments as hedges is to match or minimise the risk arising because of adverse movements in interest rates or exchange rates. Cash products and fx forwards are the main instruments used for economically hedging the statement of financial position.

In the normal course of business, the Company enters into a variety of derivative transactions in the interest rate and foreign exchange markets. They are used to provide financial services to customers and to take, hedge and modify positions as part of trading activities. Derivatives may also be used to economically hedge or modify risk exposures arising on the statement of financial position from a variety of activities, including lending and securities investment. Most 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.

- **Other liabilities:** The Company holds other liabilities, which, are primarily composed of amounts payable in relation to pre-funded obligations arising from the Company's Worldlink multi-currency transaction services business.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Risk management

Each of the major business groups within Citigroup has a Business Chief Risk Officer who is the focal point for risk decisions (such as setting risk limits or approving transactions) in the business.

There are also Regional Chief Risk Officers accountable for the risks in their geographic area and also the primary risk contact for the regional business heads and local regulators. In addition, the position of Product Chief Risk Officer was created for those areas of critical importance to Citigroup such as real estate, structured credit products and fundamental credit. The Product Risk Officers are accountable for the risks within their specialty. The Product Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers.

In addition to changing the risk management organisation to facilitate the management of risk across these three dimensions, the Citigroup risk organisation also includes the Business Management team to ensure that the risk organisation has the appropriate infrastructure, processes and management reporting. This team which supports risk management within the Company includes:

- the risk capital group, which continues to enhance the risk capital model and ensure that it is consistent across all our business activities;
- the risk architecture group, which ensures we have integrated systems and common metrics and thereby allows us to aggregate and stress exposures across the institution;
- the infrastructure risk group, which focuses on improving our operational processes across businesses and regions.

Credit, Market and Operational risk are managed, monitored and controlled through the Company's Credit, Market and Operational Risk Committees. Each of these committees reports to the Risk Management Committee.

#### *Risk aggregation and stress testing*

The Company's Chief Risk Officer, as noted above, monitors and controls major risk exposures and concentrations across the organisation. This means aggregating risks, within and across businesses, as well as subjecting those risks to alternative stress scenarios in order to assess the potential economic impact they may have on the Company.

Comprehensive stress tests take place across Citigroup mark-to-market, available-for-sale and accrual portfolios. These firm-wide stress reports measure the potential impact to the Group and its component businesses including the risk within the Group of very large changes in various types of key risk factors (e.g., interest rates, credit spreads), as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios.

Supplementing the stress testing described above, Risk Management, working with input from the businesses and Finance, provides periodic updates to senior management and the Citigroup Board of Directors on significant potential exposures across Citigroup arising from risk concentrations, financial market participants and other systemic issues. These risk assessments are forward-looking exercises, intended to inform senior management and the Citigroup Board of Directors about the potential economic impacts to Citigroup that may occur, directly or indirectly, as a result of hypothetical scenarios, based on judgmental analysis from independent risk managers.

The stress testing and risk assessment exercises are a supplement to the standard limit-setting as these processes incorporate events in the marketplace and within Citigroup that impact our outlook on the form, magnitude, correlation and timing of identified risks that may arise. In addition to enhancing awareness and understanding of potential exposures within the Company, the results of these processes then serve as the starting point for developing risk management and mitigation strategies.

The Company also conducts stress testing and concentration risk testing from the individual legal vehicle perspective and the results are built into the future capital plans of the entity.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Operational risk

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

- Recognized ownership of the risk by the businesses;
- Oversight by independent risk management; and
- Independent review by Citi Internal Audit.

#### *Framework*

The Company follows the approach to operational risk as defined by in the Citigroup Risk and Control Self – Assessment (RCSA)/Operational Risk Policy. The objective of the Policy is to establish a consistent value – added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citigroup. Information about operational risk, historical losses and the control environment, is reported and summarized for the Audit committee, senior management and for the Directors.

#### Market risk

Market risk encompasses a number of components, currency risk, interest rate risk and other price risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Other price risk is the risk to fair value or future cash flows because of changes in market prices other than currency risk and interest rate risk.

#### Market risk management

Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market risk controls and limits, policies and procedures and appropriate senior management risk oversight with a risk management function independent from the business. Management of this process begins with the professionals nearest to the Group's customers, products, and markets, and extends up to the senior executives who manage these businesses and to the country level. Periodic reviews are conducted by Citi Internal Audit to ensure compliance with institutional policies and procedures for the assessment, management and control of market risk.

Price risk is measured using Interest Rate Exposure ("IRE") limits, stress and scenario analysis, which are applied to interest rate risk arising in the non-trading portfolios. Sensitivity limits and Value-at Risk ("VaR"), stress and scenario analysis, are applied to the trading portfolios.

#### *Trading price risk*

#### *Overall objectives*

The Company uses a daily VaR measure, in conjunction with factor sensitivity and stress reporting, as a mechanism for monitoring and controlling market risk for the trading portfolio. The VaR is calculated at a 99% confidence level assuming a one-day liquidation horizon. Daily losses are expected to exceed the VaR, on an average, once every one hundred business days.

#### *VaR Methodology*

The VaR engine is based on a structured Monte-Carlo approach where 5,000 scenarios of market rates/prices are simulated. The covariance of volatility and correlation is updated, at least quarterly, based on three years' worth of market data.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Market risk management (continued)

##### *VaR limitations*

Although extensive back-testing of the VaR hypothetical portfolios, with varying concentrations by industry, risk rating and other factors is performed, the VaR cannot necessarily provide an indication of the potential size of loss when an extreme event occurs. Hence a comprehensive set of factor sensitivity limits and stress tests are used, in addition to VaR limits.

A VaR trigger is in place for the Company that ensures any excesses are discussed and resolved between risk and the business and entity management. In addition, the Company is subject to formal limits on interest rate and issuer exposures that are closely monitored by Risk Management and senior business management.

The following table summarises the Company's trading price risk by branch, 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:

	€ 000	€ 000	€ 000	€ 000	€ 000
<b>Czech</b>					
	<b>31-Dec-11</b>				<b>31-Dec-10</b>
	Outstanding	Min	Avg	Max	Outstanding
Portfolio VaR	1,902	480	1,875	3,347	504
VaR of interest instruments	1,921	381	1,747	3,236	351
VaR of currency instruments	98	8	336	1,628	223
<b>Hungary</b>					
	<b>31-Dec-11</b>				<b>31-Dec-10</b>
	Outstanding	Min	Avg	Max	Outstanding
Portfolio VaR	843	479	1,326	2,571	878
VaR of interest instruments	802	427	1,163	2,349	806
VaR of currency instruments	98	47	442	1,731	177
<b>Slovakia</b>					
	<b>31-Dec-11</b>				<b>31-Dec-10</b>
	Outstanding	Min	Avg	Max	Outstanding
Portfolio VaR	36	10	76	428	11
VaR of interest instruments	8	4	20	47	4
VaR of currency instruments	33	5	70	432	10
<b>Romania</b>					
	<b>31-Dec-11</b>				<b>31-Dec-10</b>
	Outstanding	Min	Avg	Max	Outstanding
Portfolio VaR	1,854	1,487	2,118	3,026	2,566
VaR of interest instruments	1,830	1,489	2,064	2,841	2,388
VaR of currency instruments	126	16	198	414	200

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Market risk management (continued)

##### Non-trading price risk

Price risk in the non-trading portfolios is measured using Interest Rate gap Analysis, IRE, stress and scenario analysis. Interest Rate gap Analysis utilises the maturity or re-pricing schedules of statement of financial position items to determine interest rate exposures within given tenor buckets. IRE measures the potential earnings impact, over a specified reporting period, from a defined standard set of parallel shifts in the curve. IRE is calculated separately for each currency and reflects the re-pricing gaps in the position, as well as option positions, both explicit and embedded. Limits are set for each country and business activity, of which the Company is a part. Market Risk Management monitors these limits.

##### *Interest rate risk*

The Company's exposure to interest rate fluctuations on its banking portfolio is proactively managed and monitored within approved guidelines. Interest rate risk is measured using IRE limits and stress and scenario analysis. The IRE measures the potential change in expected net interest earnings over an accounting horizon of 12 months and 5 years and has been broken down into the main currencies on the Company's statement of financial position. The following table shows the IRE measures for the Company at 31 December assuming a parallel upward shift of interest rates by 100 basis points. A positive IRE indicates a potential increase of earnings from such an upward shift, while a negative IRE indicates a potential decline of earnings.

The table below represents the expected profit / (loss) from a 100 basis point increase in interest rates on all tenors.

Currency	2011		2010	
	12 Month	5 Year	12 Month	5 Year
	€ 000	€ 000	€ 000	€ 000
USD	(5,078)	(410)	(3,145)	(3,486)
EUR	649	3,162	2,438	2,361
RON	(1,538)	(3,782)	(631)	(1,965)
CZK	(1,154)	1,538	(1,741)	(4,808)
HUF	(2,553)	(4,249)	(1,655)	(2,940)
GBP	386	1,924	293	412

Citi's market risk management policy governs the Company's measurement and reporting of interest rate risk in the non-trading portfolio. Business-specific assumptions underlying these measurements must be documented and models used to measure interest rate risk must be independently reviewed for accuracy.

##### *Currency risk*

It is the policy of the Company to reduce foreign currency risk that may arise in the normal course of business. The Company deals in financial instruments in a number of currencies, and open currency positions arise for funding mismatches and accruals of interest and expense provisions in currencies other than Euro. Treasury monitors daily open foreign currency positions ensuring that exposure is less than agreed allocated limits.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Market risk management (continued)

Based on the net exposures at year end, the following table shows the impact on these net exposures of a reasonably possible movement of the respective currencies against the Euro, with all other variables held constant, on the income statement:

	Net exposure	(%)	Income statement impact
	€000		€000
USD	45,571	9	4,101
HUF	16,669	14	2,334
RON	(5,784)	5	(289)
<b>2010</b>			
	Net exposure	(%)	Income statement impact
	€000		€000
USD	25,805	10	2,581
HUF	2,205	11	243
RON	(6,236)	8	(499)

#### Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligation when they fall due under normal and stress circumstances.

Management of liquidity is the responsibility of the Company Treasurer who aims to 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 statement of financial position.

A liquidity policy is prepared by Treasury and approved by the Board annually and the liquidity profile is monitored on an on-going basis and reported daily. Liquidity risk is measured and managed using the Market Access Report ("MAR") process in accordance with Citigroup policy.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Liquidity risk (continued)

The table below shows an analysis of assets and liabilities analysed according to when they are contractually expected to be recovered or settled.

As at 31 December 2011	Less than 12 months €000	Over 12 months €000	Total € 000
<b>Assets</b>			
Cash and balances at central bank	1,225,567	-	1,225,567
Loans and advances to banks	7,402,232	384,751	7,786,983
Loans and advances to customers	6,184,755	319,396	6,504,151
Derivative financial instruments	171,398	1,889,218	2,060,616
Trading assets	277,944	295,431	573,375
Investment securities	678,488	1,360,734	2,039,222
All other assets	515,540	233,797	749,337
<b>Total assets</b>	<u>16,455,924</u>	<u>4,483,327</u>	<u>20,939,251</u>
<b>Liabilities</b>			
Deposits by banks	6,256,955	10,748	6,267,703
Customer accounts	6,647,586	3,862	6,651,448
Derivative financial instruments	235,866	1,903,367	2,139,233
All other liabilities	1,803,707	38,623	1,842,330
<b>Total liabilities</b>	<u>14,944,114</u>	<u>1,956,600</u>	<u>16,900,714</u>
<b>Net contractual inflow / (outflow)</b>	1,511,810	2,526,727	4,038,537

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Liquidity risk (continued)

<b>As at 31 December 2010</b>	<b>Less than 12 months €000</b>	<b>Over 12 months €000</b>	<b>Total € 000</b>
<b>Assets</b>			
Cash and balances at central bank	996,999	-	996,999
Loans and advances to banks	6,977,460	488,155	7,465,615
Loans and advances to customers	4,490,351	375,880	4,866,231
Derivative financial instruments*	432,763	1,107,109	1,539,872
Trading assets	162,451	73,311	235,762
Investment securities	710,724	894,761	1,605,485
All other assets	403,453	235,589	639,042
<b>Total assets</b>	<b>14,174,201</b>	<b>3,174,805</b>	<b>17,349,006</b>
<b>Liabilities</b>			
Deposits by banks	3,674,700	15,817	3,690,517
Customer accounts	6,590,095	2,320	6,592,415
Derivative financial instruments*	456,211	1,127,255	1,583,466
All other liabilities	1,476,322	44,092	1,520,414
<b>Total liabilities</b>	<b>12,197,328</b>	<b>1,189,484</b>	<b>13,386,812</b>
<b>Net contractual inflow / (outflow)</b>	<b>1,976,873</b>	<b>1,985,321</b>	<b>3,962,194</b>

\*Reclassified of derivative instruments from less than 12 months to over 12 months

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Liquidity risk (continued)

The table below analyses the Company's undiscounted contractual cash flows from financial liabilities into relevant maturity groupings.

<b>As at 31 December 2011</b>	<b>1 year and less € 000</b>	<b>&gt;1 year and &lt;5 years € 000</b>	<b>Greater than 5 years € 000</b>	<b>Total € 000</b>
<b>Liabilities</b>				
Deposits by banks	6,380,719	10,349	541	6,391,609
Customer accounts	6,688,003	3,002	-	6,691,005
Derivative financial instruments	236,183	295,146	1,608,223	2,139,552
<b>Total undiscounted financial liabilities</b>	<u>13,304,905</u>	<u>308,497</u>	<u>1,608,764</u>	<u>15,222,166</u>

<b>As at 31 December 2010</b>	<b>1 year and less € 000</b>	<b>&gt;1 year and &lt;5 years € 000</b>	<b>Greater than 5 years € 000</b>	<b>Total € 000</b>
<b>Liabilities</b>				
Deposits by banks	3,762,084	17,465	-	3,779,549
Customer accounts	6,746,807	2,562	-	6,749,369
Derivative financial instruments*	362,022	2,795	1,483,096	1,847,913
<b>Total undiscounted financial liabilities</b>	<u>10,870,913</u>	<u>22,822</u>	<u>1,483,096</u>	<u>12,376,831</u>

\*Reclassified across maturity buckets

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Liquidity risk (continued)

The following table analyses the Company's commitments and guarantees into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	1 year and less € 000	>1 year and 5 years € 000	Greater than 5 years € 000	Carrying amount € 000
<b>2011</b>				
Letters of credit	4,931,091	8,663,433	177,650	13,772,174
Undrawn commitments to lend	662,919	1,784,502	121,865	2,569,286
Other commitments and guarantees	781,567	243,508	164,327	1,189,402
<b>Total commitments and guarantees</b>	<b>6,375,577</b>	<b>10,691,443</b>	<b>463,842</b>	<b>17,530,862</b>
<b>2010</b>				
Letters of credit	4,756,825	8,024,093	141,385	12,922,303
Undrawn commitments to lend	1,076,200	1,323,003	446,100	2,845,303
Other commitments and guarantees	536,846	607,334	9,048	1,153,228
<b>Total commitments and guarantees</b>	<b>6,369,871</b>	<b>9,954,430</b>	<b>596,533</b>	<b>16,920,834</b>

#### Credit risk

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many of Citigroup's business activities, including:

- lending;
- sales and trading;
- payment services;
- securities transactions; and
- when the Company acts as an intermediary on behalf of its clients and other third parties.

The different business groups manage their credit risk process as follows:

##### 1. Institutional Clients Group ("ICG")

For corporate clients and investment banking activities across the organization, the credit process is grounded in a series of fundamental policies, including:

- joint business and independent risk management responsibility for managing credit risks;
- single centre of control for each credit relationship that coordinates credit activities with that client;
- a minimum of two authorised-credit-officer signatures are required on extensions of credit, one of which must be from a credit officer in credit risk management;
- risk rating standards, applicable to every obligor and facility; and
- consistent standards for credit origination documentation and remedial management.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

The Company has established processes for the consistent calculation, measurement, monitoring and reporting of credit risk across all ICG businesses globally. At the most granular level, credit is extended under a credit limit approved by a unit aligned with the obligor. As part of the approval or subsequent renewal process, Independent Risk Management is responsible for assigning a risk rating to the obligor. The risk rating refers to an expected probability of default of the obligor and is therefore part of the expression of the credit risk associated with extending credit. Each credit limit is assigned a facility risk rating, taking the obligor risk rating and including any facility level characteristics (security, collateral, etc) to assign a rating that is an expression of the expected loss on a facility (the product of probability of default and loss given default). The final component of credit risk is the amount of exposure and here measures vary from the most simple (e.g. value of the asset) to complex (e.g. estimating potential replacement cost on a derivative contract). The processes required for these measurements therefore also vary considerably - from a simple feed of balances to a complex simulation engine.

Credit risk is therefore measured at a number of levels, including:

- At a facility level which may include one or more contracts, availments or transactions.
- At an obligor level if there are multiple facilities approved for an obligor - where the risk associated with an obligor default can be assessed
- At a group level - considering the implications of a group structure of multiple obligors with common ownership.

Obligor probability of default is monitored by having independent risk analysts and managers aligned to the obligor, who maintain current information about the obligor's condition and revisit the risk rating and approved limits in the event of material new information coming to light.

Exposure is monitored against the approved limits and excesses are automatically identified to an appropriate member of Independent Risk Management. Escalation processes ensure that larger and aged exceptions are raised to an appropriately Senior Credit Officer.

The Company has a Credit risk reporting system (Global Risk Reporting - GRR), to which all material exposures are reported on a daily basis by numerous underlying product processors and other feeder systems. An analyst or risk manager can, therefore, obtain a snapshot as at close of business previous day of all material exposures to his/her obligor(s), whether or not exposure has exceeded a limit.

#### *2. Global Cards and Consumer Banking ("Consumer")*

Country Business Managers have ownership of portfolios and are accountable for managing the risk/return trade-offs in their businesses. In cooperation with Senior/Country Credit Officers they implement policies, procedures and risk management practices in their businesses that are compliant with global consumer credit risk policies.

Consumer risk officers regularly review the performance of the consumer businesses and ensure that appropriate control is exercised. A risk differentiated approach is employed, such that critical activities, for example collection and fraud, are reviewed with greater frequency.

Credit authority levels, the delegation process, approval processes for portfolios, product approvals, and other types of required approvals, as well as credit authority levels and responsibilities are defined in Global Consumer Credit and Fraud Risk Policies. These policies establish a consistent set of standards for the appointment of Credit Officers and Senior Credit Officers, streamline the approval process, create auditable policies, and ensure the accountability and responsibility of risk management staff. The Country Credit Officer prepares credit strategy in collaboration with the Country Business Manager, which is reviewed by the Regional Senior Credit Officer.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

There is an established set of measures, procedures and policies that aims at monitoring results of retail portfolios that ensures internal control. These include:

- Comparison of indicators to past performance
- Country Credit Officer reviews
- Stress tests
- Mandates and approval authorities

In addition to these procedures each business has credit benchmarks that set out its short and long-term expectations.

#### Exposure to credit risk - Loans and advances to third parties

2011	Charge and credit card debtors € 000	Commercial loans € 000	Consumer loans € 000	Total € 000
Gross Amount	362,152	8,072,482	137,283	8,571,917
<i>Individually impaired</i>				
Current	-	47,501	-	47,501
1 - 119 days past due	-	408	-	408
120 - 179 days past due	-	-	-	-
180 days or more past due	-	3,539	-	3,539
Gross Amount	-	51,448	-	51,448
Impairment provision on individually impaired loans	-	(18,051)	-	(18,051)
Carrying amount of individually impaired loans	-	33,397	-	33,397
<i>Collectively assessed</i>				
Current	339,226	7,969,088	121,317	8,429,631
1 - 119 days past due	20,255	46,723	15,892	82,870
120 - 179 days past due	2,671	111	5	2,787
180 days or more past due	-	5,112	69	5,181
Gross Amount	362,152	8,021,034	137,283	8,520,469
Impairment provision on collectively assessed loans	(21,227)	(36,341)	(11,874)	(69,442)
Carrying amount of collectively assessed loans	340,925	7,984,693	125,409	8,451,027
Total impairment provision	(21,227)	(54,392)	(11,874)	(87,492)
Total carrying amount	340,925	8,018,090	125,409	8,484,424
Impairment on undrawn commitments	-	(18,020)	-	(18,020)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

The total carrying amount in this table includes third party loans and advances to banks and loans and advances to customers as per note 14. See table below for split by category.

<i>Total carrying amounts</i>	Note	2011 € 000
<b>Due from banks</b>		
Loans and advances - 3rd party	14	1,980,273
<b>Loans and advances to customers</b>		
Charge and credit card debtors	14	340,925
Commercial loans	14	5,564,531
Consumer loans	14	125,409
Loans held at fair value through the profit and loss	14	473,286
<b>Loans and advances to third parties</b>		<u><u>8,484,424</u></u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

#### Exposure to credit risk - Loans and Advances to third parties

2010	Charge and credit card debtors € 000	Commercial loans € 000	Consumer loans € 000	Total € 000
Gross Amount	403,878	5,762,515	189,058	6,355,451
<i>Individually impaired</i>				
Current	-	61,707	-	61,707
1 - 119 days past due	-	7,371	-	7,371
120 - 179 days past due	-	-	-	-
180 days or more past due	-	4,609	-	4,609
Gross Amount	-	73,687	-	73,687
Impairment provision on individually impaired loans	-	(22,103)	-	(22,103)
Carrying amount of individually impaired loans	-	51,584	-	51,584
<i>Collectively assessed</i>				
Current	352,713	5,652,336	152,829	6,157,878
1 - 119 days past due	39,308	12,524	36,229	88,061
120 - 179 days past due	11,857	958	-	12,815
180 days or more past due	-	23,009	-	23,009
Gross Amount	403,878	5,688,827	189,058	6,281,763
Impairment provision on collectively assessed loans	(29,574)	(28,443)	(21,897)	(79,914)
Carrying amount of collectively assessed loans	374,304	5,660,384	167,161	6,201,849
Total impairment provision	(29,574)	(50,546)	(21,897)	(102,017)
Total carrying amount	374,304	5,711,968	167,161	6,253,433
Impairment on undrawn commitments	-	(8,167)	-	(8,167)

The total carrying amount in this table includes third party loans and advances to banks and loans and advances to customers as per note 14. See table below for split by category.

	Note	2010 € 000
<i>Total carrying amounts</i>		
<b>Due from banks</b>		
Loans and advances - 3rd party	14	1,387,202
<b>Loans and advances to customers</b>		
Charge and credit card debtors	14	374,304
Commercial loans	14	3,806,127
Consumer loans	14	167,161
Loans held at fair value through the profit and loss	14	518,639
<b>Loans and advances to third parties</b>		<b>6,253,433</b>



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

#### Net credit losses charged to the current year income statement

	2011 €'000	2010 €'000
Individual provisions taken in the year	11,199	12,793
Net change to portfolio provisions in the year	(7,530)	(2,531)
Credit write-offs	55,659	113,358
Credit recoveries	(43,827)	(43,630)
Net credit losses/recoveries total	<u>15,501</u>	<u>79,990</u>

#### Movement in provisions for impairment balances

	Charge and credit card debtors € 000	Commercial loans € 000	Consumer loans € 000	Total € 000
Balance at 1 January 2010*	31,820	65,215	29,035	126,070
Individual provisions taken in the year	-	12,793	-	12,793
Net change to portfolio provisions in the year	(1,922)	(392)	(217)	(2,531)
Provisions released due to Credit write-offs	-	(9,278)	(2,953)	(12,231)
Provisions released due to Credit recoveries	(878)	(11,168)	(3,099)	(15,145)
Foreign exchange adjustments	554	1,544	(869)	1,229
Balance at 31 December 2010	<u>29,574</u>	<u>58,714</u>	<u>21,897</u>	<u>110,185</u>
Individual provisions taken in the year	-	11,199	-	11,199
Net change to portfolio provisions in the year	(6,996)	8,523	(9,057)	(7,530)
Provisions released due to Credit write-offs	-	(1,335)	-	(1,335)
Provisions released due to Credit recoveries	-	(3,512)	-	(3,512)
Foreign exchange adjustments	(1,351)	(1,176)	(968)	(3,495)
Balance at 31 December 2011	<u>21,227</u>	<u>72,413</u>	<u>11,872</u>	<u>105,512</u>

\*Opening balance as at 1 January 2010 includes prior year reclassification between business lines

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

At the Company level, there are regular, focussed reviews of individual obligors and portfolios by the Credit Committee. A breakdown of the Company's total credit exposure including commitments is as follows:

	2011 € 000	2010 € 000
Gross exposure		
- Commitments and guarantees (third party)	17,066,226	16,907,152
- Balance sheet exposures (third party)	<u>12,736,983</u>	<u>9,238,870</u>
Total exposure	<u><u>29,803,209</u></u>	<u><u>26,146,022</u></u>

Note: The Company does not recognise inter group balances as giving rise to credit exposure.

Statement of financial position exposures include cash and cash balance at central banks, trading assets, loans and advances, investment securities, derivative financial assets and other assets.

Cash and OECD Government bonds are held as collateral against a significant number of commitments and guarantees. The Company holds €10.0 billion in cash and other high grade collateral, €9.6 billion of which is held against exposures arising from the Insurance Letters of Credit business line.

The Company's statement of financial position credit risk concentrations by industry are as follows:

	2011 € 000	2010 € 000
Financial services	2,598,424	1,869,521
Governments & Central bank	4,221,519	2,875,787
Transport	1,212,581	658,753
Engineering / Electronics	763,238	1,075,950
Consumer	1,260,922	912,248
Chemicals	516,347	216,063
Oil & Gas	486,729	147,562
Agriculture	373,487	363,478
Food & Drinks industry	313,011	332,723
Construction	95,469	106,633
Communication	60,539	98,746
Local government	34,434	39,459
Other	800,283	541,947
	<u><u>12,736,983</u></u>	<u><u>9,238,870</u></u>

Included in credit risk exposures are cash and balances at central banks, trading assets, derivative financial instruments, loans and advances, investment securities and other assets.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Financial instruments and risk management (continued)

#### Credit risk (continued)

The table below shows statement of financial position credit concentrations by region.

	2011 € 000	2010 € 000
Western Europe	3,193,623	2,513,792
Central Europe	6,411,532	4,890,114
Central / South America	1,069,191	831,209
Middle East / Africa	1,036,988	435,810
North America	458,682	451,327
Australia / Asia	566,967	116,618
	<u>12,736,983</u>	<u>9,238,870</u>

#### Capital management regulatory capital requirements

The Company's lead regulator the Central Bank of Ireland sets and monitors capital requirements for the Company.

In implementing current capital requirements the Central Bank of Ireland requires the Company to maintain a prescribed ratio of total capital to risk weighted assets. The Company calculates requirements in line with the Central Bank of Ireland's rules.

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

#### Regulatory capital requirements

The Company's regulatory capital position at 31 December was as follows:

	2011 € 000	2010 € 000
<b>Total regulatory capital</b>	<u>2,907,452</u>	<u>2,910,429</u>
<b>Total capital requirements</b>	<u>1,370,753</u>	<u>1,221,095</u>
<b>Capital adequacy ratio</b>	15%	17%

The company has complied with the minimum capital adequacy ratio of 8% throughout the period.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Financial assets and liabilities

The below tables outline the total financial assets and liabilities held as at 31 December 2011 and 31 December 2010.

	2011 € 000	2010 € 000
Total financial assets held at fair value	5,146,499	3,899,758
Total financial assets not held at fair value	15,428,254	13,040,883
Total financial assets	<u>20,574,753</u>	<u>16,940,641</u>

	2011 € 000	2010 € 000
Total financial liabilities held at fair value	2,184,778	1,583,466
Total financial liabilities not held at fair value	14,574,057	11,660,719
Total financial liabilities	<u>16,758,835</u>	<u>13,244,185</u>

In accordance with IFRS 7, Financial Instruments: Disclosures, the Company has adopted the fair value hierarchy classification of financial instruments. This requires the Company to classify its financial instruments held at fair value according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments.

The fair value hierarchy is determined as follows:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There have been no transfers between levels 1 and 2 and no level 3 financial instruments were held during the year ended 31 December 2011.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Financial assets and liabilities (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2011	Fair value			Total € 000
	Level 1 € 000	Level 2 € 000	Level 3 € 000	
<b>Financial assets</b>				
Derivative financial instruments	-	2,060,616	-	2,060,616
Trading assets	184,200	389,175	-	573,375
Investment securities	843,172	1,196,050	-	2,039,222
Loans held at fair value through the profit and loss	-	473,286	-	473,286
<b>Financial assets held at fair value</b>	<u>1,027,372</u>	<u>4,119,127</u>	<u>-</u>	<u>5,146,499</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	2,139,233	-	2,139,233
Other financial liabilities held for trading	-	45,545	-	45,545
<b>Financial liabilities held at fair value</b>	<u>-</u>	<u>2,184,778</u>	<u>-</u>	<u>2,184,778</u>
31 December 2010	Fair value			Total € 000
	Level 1 € 000	Level 2 € 000	Level 3 € 000	
<b>Financial assets</b>				
Derivative financial instruments	-	1,539,872	-	1,539,872
Trading assets	55,919	179,843	-	235,762
Investment securities	787,509	817,976	-	1,605,485
Loans held at fair value through the profit and loss	-	518,639	-	518,639
<b>Financial assets held at fair value</b>	<u>843,428</u>	<u>3,056,330</u>	<u>-</u>	<u>3,899,758</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	1,583,466	-	1,583,466
<b>Financial liabilities held at fair value</b>	<u>-</u>	<u>1,583,466</u>	<u>-</u>	<u>1,583,466</u>

Loans held at fair value through the profit and loss, totalling €473 million (2010: €519 million) are included in the Statement of Financial Position within loans and advances to customers. These assets were transferred to the Company during 2010 and are also discussed in note 1(h) – *financial assets at fair value through the profit and loss*.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Financial assets and liabilities (continued)

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	Note	31 December 2011			31 December 2010		
		Loans and receivables € 000	Other amortised cost € 000	Total carrying amount € 000	Total fair value € 000	Total carrying amount € 000	Total fair value € 000
<b>Financial assets</b>							
Cash and balances at central bank	11	1,179,163	46,404	1,225,567	1,225,567	996,999	996,999
<b>Loans and advances to banks</b>							
Loans and advances - intercompany	27	5,806,710	-	5,806,710	5,806,710	6,078,413	6,078,413
Loans and advances - 3rd party		1,980,273	-	1,980,273	1,980,273	1,387,202	1,387,202
		<u>7,786,983</u>	<u>-</u>	<u>7,786,983</u>	<u>7,786,983</u>	<u>7,465,615</u>	<u>7,465,615</u>
<b>Loans and advances to customers</b>							
Charge and credit card debtors	13	340,925	-	340,925	339,166	374,304	374,390
Commercial loans	13	5,564,531	-	5,564,531	5,567,452	3,806,127	3,806,553
Consumer loans	13	125,409	-	125,409	123,266	167,161	150,221
		<u>6,030,865</u>	<u>-</u>	<u>6,030,865</u>	<u>6,029,884</u>	<u>4,347,592</u>	<u>4,331,164</u>
<b>Other financial assets</b>		-	-	384,839	384,839	230,677	230,677
		<u>14,997,011</u>	<u>46,404</u>	<u>15,428,254</u>	<u>15,427,273</u>	<u>13,040,883</u>	<u>13,024,455</u>

At 31 December 2011 €319 million of Loans and advances to customers are expected to be recovered more than 12 months after the reporting date (2010: €376 million). The carrying amount of renegotiated loans as at 31 December 2011 was €29 million (2010: €19 million).

Other financial assets are primarily comprised of receivables balances from the Company's Worldlink multi-currency transaction services business.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Financial assets and liabilities (continued)

	31 December 2011			Total fair value € 000	31 December 2010	
	Loans and receivables € 000	Other amortised cost € 000	Total carrying amount € 000		Total carrying amount € 000	Total fair value € 000
<b>Financial liabilities</b>						
Deposit by banks						
Deposits by banks - Intercompany	534,898	508,181	1,043,079	1,043,079	2,347,434	2,347,428
Deposits by banks - 3rd party	5,077,210	147,414	5,224,624	5,224,624	1,343,083	1,343,077
	<b>5,612,108</b>	<b>655,595</b>	<b>6,267,703</b>	<b>6,267,703</b>	<b>3,690,517</b>	<b>3,690,505</b>
Customer accounts	2,080,049	4,571,399	6,651,448	6,602,428	6,592,415	6,552,932
Other liabilities	1,638,073	16,833	1,654,906	1,699,580	1,377,787	1,377,788
	<b>9,330,230</b>	<b>5,243,827</b>	<b>14,574,057</b>	<b>14,569,711</b>	<b>11,660,719</b>	<b>11,621,225</b>

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

- Derivative financial instruments, trading assets, and debt securities in issue are measured at fair value by reference to quoted market prices in active markets. If quoted market prices are not available then fair values are estimated on the basis of other valuation techniques, including discounted cash flow models and options pricing models. The market price includes credit value adjustments where appropriate.
- Investment securities classified as available-for-sale or designated at fair value through profit and loss, are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated based on other recognised valuation techniques.
- The fair value for loans and advances and other lending are estimated using internal valuation techniques such as discounted cash flow analysis. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued. In certain cases the carrying value approximates fair value because the instruments are short term in nature or reprice frequently.
- During 2010, the Company acquired a group of loans at fair value. At the same time, the Company entered into interest rate swaps to manage the interest rate risk of the acquired loans. The loans have been designated at fair value through the profit and loss in order to avoid any accounting mismatch between an accrual basis loan and a derivative that is held at fair value. Any mark-to-market gains or losses on the loans and swaps are taken directly to the income statement. Credit risk on the loans is considered minimal (and relatively stable) due to each loan being guaranteed by AAA rated export credit agency.
- The fair value of debt securities in issue that are classified at amortised cost is measured using discounted cash flows.
- Fair values of customer account deposit liabilities, other assets and other liabilities are estimated using discounted cash flows, applying either market rates where practicable, or rates currently offered by the Group for deposits of similar remaining maturities. Where market rates are used no adjustment is made for counterparty credit spreads.
- The carrying amount of cash and balances at central bank is a reasonable approximation of fair value due to the short term nature of the balances.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Investment securities

Investment securities are primarily composed of government securities from OECD member states.

	2011 € 000	2010 € 000
<b>Investment securities - available for sale</b>		
Debt securities:		
- listed	1,638,785	1,228,472
- unlisted	400,365	376,941
Equity securities:		
- unlisted	72	72
	<u>2,039,222</u>	<u>1,605,485</u>

### 16. Derivative financial instruments

	2011		2010		2010	
	Notional amount	Fair value	Notional amount	Fair value		
	€ 000	Assets € 000	Liabilities € 000	€ 000	Assets € 000	Liabilities € 000
<b>Exchange rate related contracts</b>						
Forwards and futures	7,534,400	183,576	167,112	8,516,278	130,149	123,947
Currency swaps	7,995,477	159,331	182,500	6,131,427	130,404	133,862
Options	1,282,279	26,654	26,631	1,262,380	15,198	15,184
	<u>16,812,156</u>	<u>369,561</u>	<u>376,243</u>	<u>15,910,085</u>	<u>275,751</u>	<u>272,993</u>
<b>Interest rate related contracts</b>						
Forward rate agreement	12,179,397	15,893	33,319	8,825,201	5,436	7,722
Interest rate swaps	66,606,717	1,673,093	1,727,602	53,639,191	1,256,316	1,300,086
Options	162,761	1,607	1,607	114,945	1,700	1,996
	<u>78,948,875</u>	<u>1,690,593</u>	<u>1,762,528</u>	<u>62,579,337</u>	<u>1,263,452</u>	<u>1,309,804</u>
<b>Equity and commodity related contracts</b>						
Options	3,147	75	75	8,216	669	669
Swaps	5,619	387	387	-	-	-
	<u>8,766</u>	<u>462</u>	<u>462</u>	<u>8,216</u>	<u>669</u>	<u>669</u>
<b>Total derivative contracts</b>	<u>95,769,797</u>	<u>2,060,616</u>	<u>2,139,233</u>	<u>78,497,638</u>	<u>1,539,872</u>	<u>1,583,466</u>

See note 13 for more details on how the Company uses derivative financial instruments as part of its risk management policies and procedures.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Other liabilities

	2011 € 000	2010 € 000
Accounts payable	1,253,544	1,031,357
Other balances	446,907	346,430
	<u>1,700,451</u>	<u>1,377,787</u>

Accounts payable predominantly comprises amounts payable in relation to pre-funded obligations arising from the Company's Worldlink multi-currency transaction services business. The other balances include amounts payable to other financial institutions, corporates and other group entities, primarily relating to prepaid risk participations, items in the process of settlement and supplier finance transactions.

### 18. Shares in subsidiary undertakings

	2011 € 000	2010 € 000
<b>At 1 January</b>	1,295	1,295
Movements in year	(23)	-
<b>At 31 December</b>	<u>1,272</u>	<u>1,295</u>

The Company has an investment in the following subsidiary:

Name	Country of incorporation	Nature of business	Year end	Registered office	Percentage ownership
Citibank Kereskedelmi és Szolgáltató Kft.	Hungary	Purchase and rental of fixed assets	31 December	Hegyalja út 7-13., 1016, Budapest, Hungary	100 percent of ordinary share capital

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Property and equipment

	Leasehold improvements € 000	Vehicles, furniture and equipment € 000	Total € 000
<b>Cost</b>			
<b>At 1 January 2010</b>	29,267	45,117	74,384
Additions	4,032	16,246	20,278
Disposals	(13,455)	(14,395)	(27,850)
Foreign exchange	523	570	1,093
<b>At 31 December 2010</b>	<u>20,367</u>	<u>47,538</u>	<u>67,905</u>
Additions	1,030	3,670	4,700
Disposals	(245)	(5,736)	(5,981)
Write-offs	(327)	(1,306)	(1,633)
Foreign exchange	(1,283)	(2,435)	(3,718)
<b>At 31 December 2011</b>	<u>19,542</u>	<u>41,731</u>	<u>61,273</u>
<b>Depreciation</b>			
<b>At 1 January 2010</b>	16,714	31,160	47,874
	-	-	
Charged in year	2,646	5,322	7,968
Disposals	(13,100)	(2,241)	(15,341)
Foreign exchange	510	701	1,211
<b>At 31 December 2010</b>	<u>6,770</u>	<u>34,944</u>	<u>41,712</u>
Charged in year	2,242	4,172	6,414
Disposals	(245)	(4,948)	(5,193)
Write-offs	(291)	(994)	(1,285)
Foreign exchange	(125)	(1,822)	(1,947)
<b>At 31 December 2011</b>	<u>8,351</u>	<u>31,352</u>	<u>39,701</u>
<b>Net book value</b>			
At 31 December 2011	<u>11,191</u>	<u>10,379</u>	<u>21,572</u>
At 31 December 2010	<u>13,597</u>	<u>12,594</u>	<u>26,193</u>

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2010: €nil).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Goodwill and Intangible assets

	Goodwill €000	Computer software € 000	Total €000
<b>Cost</b>			
<b>1 January 2010</b>	281,943	66,139	348,082
Additions	-	49,893	49,893
Disposals	-	(1,503)	(1,503)
Transfer to non current assets - held for sale	-	(53,912)	(53,912)
Foreign exchange	-	2,747	2,747
	<u>281,943</u>	<u>66,139</u>	<u>348,082</u>
<b>At 31 December 2010</b>	281,943	63,364	345,307
Additions	-	18,999	18,999
Disposals	-	(548)	(548)
Write-offs	-	(4)	(4)
Foreign exchange	-	(1,501)	(1,501)
	<u>281,943</u>	<u>80,310</u>	<u>362,253</u>
<b>31 December 2011</b>	<u>281,943</u>	<u>80,310</u>	<u>362,253</u>
<b>Amortisation and impairment losses</b>			
<b>1 January 2010</b>			32,255
	-	32,255	
Amortisation	-	8,533	8,533
Impairment	98,000	-	98,000
Disposals	-	(1,011)	(1,011)
Foreign exchange	-	724	724
	<u>98,000</u>	<u>40,501</u>	<u>138,501</u>
<b>At 31 December 2010</b>	98,000	40,501	138,501
Amortisation	-	7,662	7,662
Disposals	-	(548)	(548)
Write-offs	-	(1)	(1)
Foreign exchange	-	(2,574)	(2,574)
	<u>98,000</u>	<u>45,040</u>	<u>143,040</u>
<b>31 December 2011</b>	<u>98,000</u>	<u>45,040</u>	<u>143,040</u>
<b>Net carrying value</b>			
31 December 2011	<u>183,943</u>	<u>35,270</u>	<u>219,213</u>
31 December 2010	<u>183,943</u>	<u>22,863</u>	<u>206,806</u>

The goodwill arose during 2008 as a result of the acquisition of assets in the Czech Republic. The fair value of the acquired operations was €600 million which included a goodwill component of €282 million. In 2010, the recoverable amount of the business following a value in use calculation was €184 million, therefore management were of the opinion that there was an impairment on goodwill in the order of €98 million and this impairment loss is recognised in the 2010 income statement. In 2011, the value in use calculation supported management opinion to take no further impairment on goodwill.

There was no reduction in the value of goodwill from prior year, primarily driven by increased revenues and lower Cost of Credit charges. See note 2 for assumptions used in conjunction with the valuation of goodwill.

There was no internally generated software or capitalised borrowing costs related to the acquisition of intangible assets during the year (2011: €nil).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Non current assets – held for sale

	2011 €'000	2010 €'000
<b>Intangible assets</b>		
Computer software	-	53,912
	<u>-</u>	<u>53,912</u>

During 2011, software amounting to €54 million was sold to an affiliated company.

### 22. Deferred tax assets

The movement on the deferred tax is as follows:

	Balance at 1 January 2011	Recognised in the Income statement	Recognised in other comprehensive income	Balance at 31 December 2011
Property / equipment and software	2,647	(2,371)	-	276
Available for sale securities	(366)	148	-	(218)
Allowances for loan losses	2,915	2,681	-	5,596
Tax Loss carry-forward	560	(90)	-	470
Share based payment transactions	(408)	1,003	-	595
Other	5,105	(500)	-	4,605
Total Asset	<u>10,453</u>	<u>871</u>	<u>-</u>	<u>11,324</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Called up share capital

<b>Authorised</b>	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
5,000,000,000 common stock of €1 each	<u>5,000,000</u>	<u>5,000,000</u>
<b>Allotted, called-up and fully paid</b>	<b>2011</b>	<b>2010</b>
	<b>€ 000</b>	<b>€ 000</b>
9,318,254 (2009: 9,318,254) common stock of €1 each	<u>9,318</u>	<u>9,318</u>

### 24. Share-based incentive plans

The Company participates in a number of Citigroup share-based incentive plans to attract, retain and motivate employees, to compensate them for their contributions to the Company, and to encourage employee stock ownership.

#### Stock option programme

As part of the Company's remuneration programme it participates in a number of Citigroup share-based incentive plans. These plans involve the granting of stock options, restricted or deferred share awards and share payments. Such awards are used to attract, retain and motivate officers and employees to provide incentives for their contributions to the long-term performance and growth of the Company, and to align their interests with those of the shareholders. The award programmes are administered by the Personnel and Compensation Committee of the Citigroup Inc Board of the Directors, which is composed entirely of non-employee directors.

In the share award program Citigroup issues common shares in the form of restricted share awards, deferred share awards and share payments. For all stock award programs during the applicable vesting period, the shares awarded are not issued to participants (in the case of a deferred stock award) or cannot be sold or transferred by the participants (in the case of a restricted stock award), until after the vesting conditions have been satisfied. Recipients of deferred share awards do not have any shareholder rights until shares are delivered to them, but they generally are entitled to receive dividend-equivalent payments during the vesting period. Recipients of restricted share awards are entitled to a limited voting right and to receive dividend or dividend-equivalent payments during the vesting period. Once a share award vests the shares become freely transferrable, but in the case of certain employees, may be subject to transfer restriction by their terms or share ownership commitment.

The Company participates in the Citigroup's Capital Accumulation Program ("CAP") programme, under which shares of Citigroup common stock are awarded in the form of restricted or deferred stock to participating employees.

Generally CAP awards of restricted or deferred stock constitute a percentage of annual incentive compensation and vest rateably over a three or four year period beginning on or about the first anniversary of the award date. Continuous employment within Citigroup is generally required to vest in CAP and other stock award programs.

The program provides that employees who meet certain age plus years-of-service requirements (retirement-eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. Awards granted to retirement-eligible employees are accrued in the year prior to the grant date in the same manner as cash incentive compensation is accrued.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Share-based incentive plans (continued)

#### Stock award programme

For all stock award programmes, during the applicable vesting period, the shares awarded cannot be sold or transferred by the participant, and the award is subject to cancellation if the participant's employment is terminated. After the award vests, the shares become freely transferable (subject to the stock ownership commitment of senior employees). From the date of award, the recipient of a restricted stock award can direct the vote of the shares and receive regular dividends to the extent dividends are paid on Citigroup common stock. Recipients of deferred stock awards receive dividend equivalents to the extent dividends are paid on Citigroup common stock, but cannot vote.

Stock awards granted from 2005 generally vest 25% per year over four years. CAP participants were able until recently to elect to receive all or part of their award in stock options. The figures presented in the stock option programme table include options granted under CAP.

In 2010 the Company award Deferred Cash stock Unit's ("DCSU") however none were issued in 2011. This award consists of a deferred cash award that is denominated in units of Citigroup common stock, with each stock unit having a value equal to one share of Citigroup common stock reported on the NYSE. The award vests over a two year period and earns a notional return that tracks the price of Citigroup common stock during the vesting period. The DCSU has been accounted for as a cash settled liability.

As part of the 2010 and 2011 remuneration the Company entered into an arrangement referred to as an "EU Short Term" award. The award will be delivered in the form of immediately vested restricted shares subject to a six month sale restriction.

Citigroup participated in a 1-for-10 reverse stock split of Citigroup common stock effective after the close of trading on 6 May 2011. Every ten shares of issued and outstanding Citigroup common stock was automatically combined into one issued and outstanding share of common stock without any change in the par value per share. No fractional shares were issued in connection with the reverse stock split.

Information with respect to current year stock awards is as follows:

	2011	2010*
Shares awarded	83,680	142,905
Weighted average fair market value per share	\$49.92	\$35.20
	EUR	EUR
Compensation cost charged to earnings	5,030,816	5,366,947
Fair value adjustments recorded to equity	1,325,788	447,144
Total carrying amount of equity-settled transaction	3,705,027	4,919,803

\* adjusted for reverse stock split

#### Stock option programme

The Company also participates in a number of Citigroup stock option programmes for its employees. Generally, since January 2005, stock options have been granted only to CAP participants who elect to receive stock options in lieu of restricted or deferred stock awards and to non-employee directors who elect to receive their compensation in the form of a stock option grant.

All stock options are granted on Citigroup common stock with exercise prices equal to the fair market value at the time of grant.

Options granted since January 2005 typically vest 25% each year over four years and have six-year terms. Options granted in 2004 and 2003 typically also have six-year terms but vest in thirds each year over three years, with the first vesting date occurring 17 months after the grant date. The sale of underlying shares acquired through the exercise of employee stock options granted since 2003 is restricted for a two-year period (and the shares are subject to stock ownership commitment of senior employees thereafter).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Share-based incentive plans (continued)

#### Stock option programme (continued)

Prior to 2003, Citigroup options, including options granted since the date of the merger of Citicorp and Travellers Group, Inc., generally had a 10 year term and vested at a rate of 20% per year over five years, with the first vesting occurring 12 to 18 months following the grant date.

Certain options, mostly granted prior to 1 January 2003, permit an employee exercising an option under certain conditions to be granted new options (reload options) in an amount equal to the number of common shares used to satisfy the exercise price and the withholding taxes due upon exercise. The reload options are granted for the remaining term of the related original option and vest after six months. An option may not be exercised using the reload method unless the market price on the date of exercise is at least 20% greater than the option exercise price. Reload options have been treated as separate grants from the related original grants. Reload options are intended to encourage employees to exercise options at an earlier date and to retain the shares so acquired, in furtherance of the Company's long-standing policy of encouraging increased employee stock ownership.

Since 2009 the Company has made discretionary grants of options to eligible employees pursuant to the broad-based Citigroup Employee Option Grant (CEOG) Program under the Citigroup Stock Incentive Plan. Under CEOG, the options generally vest equally over three years, the option term is 6 years from the grant date and the shares acquired on exercise are not subject to a sale restriction.

The stock option activity with respect to 2011 and 2010 under Citigroup stock option plans is as follows:

	2011		2010*	
	Options	Weighted average exercise price \$	Options	Weighted average exercise price \$
Outstanding, beginning of year	205,853	88.30	235,687	112.60
Granted	-	-	-	-
Forfeited	(21,280)	56.81	(5,256)	153.60
Exercised	(888)	40.80	-	-
Transfers	(38,546)	120.52	(19,338)	278.60
Expired	(7,317)	494.16	(5,240)	411.50
Outstanding, end of year	<u>137,822</u>	<u>62.93</u>	<u>205,853</u>	<u>88.30</u>
Exercisable, end of year	<u>95,487</u>	<u>67.90</u>	<u>116,340</u>	<u>123.90</u>

\*Adjusted for reverse stock split

The weighted average share price at the exercise date for options exercised during the year was \$49.04 (2010: \$nil).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Share-based incentive plans (continued)

#### Stock award programme (continued)

The following table summarises the stock options outstanding under Citigroup stock option plans at 31 December 2011:

Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average contractual life remaining	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
< \$50.00	128,218	3.83	40.80	86,847	40.80
\$50.00 - \$399.99	3,858	2.06	244.50	2,894	244.50
\$400.00 - \$449.99	4,895	0.12	421.01	4,896	421.01
≥ \$450.00	850	0.52	514.83	850	514.84
	<u>137,822</u>	<u>3.63</u>	<u>62.93</u>	<u>95,487</u>	<u>67.90</u>

The following table summarises the stock options outstanding under Citigroup stock option plans at 31 December 2010\*:

Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average contractual life remaining	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
< \$50.00	180,214	4.23	40.80	91,214	40.80
\$50.00 - \$399.99	3,487	0.05	244.50	3,013	244.50
\$400.00 - \$449.99	13,650	0.07	421.10	13,650	421.10
≥ \$450.00	8,502	0.01	497.10	8,462	496.90
	<u>205,853</u>	<u>4.37</u>	<u>88.30</u>	<u>116,339</u>	<u>123.90</u>

\*Adjusted for reverse stock split

#### Fair value assumptions

Reload options have been treated as separate grants from the related original grants. Under the Group's reload program, upon exercise of an option, employees use previously owned shares to pay the exercise price and surrender shares otherwise to be received for related tax withholding, and receive a reload option covering the same number of shares used for such purposes. Reload options vest at the end of a six-month period. Reload options are intended to encourage employees to exercise options at an earlier date and to retain the shares so acquired, in furtherance of the Group's long-standing policy of encouraging increased employee stock ownership. The result of this program is that employees generally will exercise options as soon as they are able and, therefore, these options have shorter expected lives. Shorter option lives result in lower valuations using a Binomial option model. However, such values are expensed more quickly due to the shorter vesting period of reload options. In addition, since reload options are treated as separate grants, the existence of the reload feature results in a greater number of options being valued.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Share-based incentive plans (continued)

#### Stock award programme (continued)

Shares received through option exercises under the reload program, as well as certain other options granted, are subject to restrictions on sale. Discounts have been applied to the fair value of options granted to reflect these sale restrictions.

Additional valuation and related assumption information for Citigroup option plans is presented below. Citigroup used a binomial model to value stock options. Volatility has been estimated by taking the historical volatility in traded Citigroup options and adjusting where there are known factors that may affect future volatility.

	2011	2010
<b>Weighted average fair value at year end of options granted during the year</b>	<u>\$0.00</u>	<u>\$0.00</u>
<b>Weighted average expected life</b>		
Original grants	4 years	4 years
Reload grants	0 years	1 years
Option life	<u>4 years</u>	<u>4 years</u>
<b>Valuation assumptions</b>		
Expected volatility	41.10%	37.05%
Risk-free interest rate	0.60%	1.73%
Expected dividend yield	0.10%	0.00%
Expected annual forfeitures	<u>9.60%</u>	<u>9.62%</u>

### 25. Contingent liabilities and commitments

The following tables 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 statement of financial position date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the guidelines on capital adequacy issued by Central Bank of Ireland.

	Contract amount 2011 €000	Risk weighted amount 2011 €000	Contract amount 2010 €000	Risk weighted amount 2010 €000
<b>Undrawn Credit lines</b>	2,569,285	1,019,653	2,715,620	899,427
<b>Other commitments</b>				
- less than 1 yr	5,489,143	1,608,001	5,341,953	1,586,786
- 1 yr and over	9,303,179	1,349,281	8,639,261	1,463,423
<b>Extended rate commitment</b>	<u>169,256</u>	<u>169,256</u>	<u>224,000</u>	<u>224,000</u>
<b>Total</b>	<u>17,530,862</u>	<u>4,146,191</u>	<u>16,920,834</u>	<u>4,173,636</u>

Other commitments primarily relate to the Insurance Letters of Credit business.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Contingent liabilities and commitments (continued)

The Company held an impairment provision of €18 million as at 31 December 2011 (2010: €8.2 million), with respect to its commitments.

The extended rate commitment is a facility providing fixed foreign exchange rates against clients operational cashflows for a set number of days after the rate is fixed.

### 26. Operating lease commitments

	2011 € 000	2010 € 000
Expiring:		
- within one year	2,777	3,668
- between one and five years	21,127	23,941
- in five years or more	14,305	16,166
	<u>38,209</u>	<u>43,775</u>

### 27. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Holdings Ireland Limited, which is incorporated in Ireland. The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc., which is incorporated in the United States of America. The Company defines related parties as the Board of Directors, senior management, their close family members, parent and fellow subsidiaries and associated companies. The Company considers the key management of the Company to be the Board of Directors. Directors' remuneration is disclosed in note 9.

At 31 December 2011 there were no outstanding exposures to Directors including loans (2010: €nil).

A number of arms' length transactions are entered into with other Group companies. These include loans and deposits that provide funding to Group companies as well as derivative contracts used to hedge residual risks that are included in the other assets and other liabilities balances. Various services are provided between related parties and these are all also provided at arm's length. The table below summarises balances with related parties.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Related party transactions (continued)

	2011			Total € 000
	Parent company undertakings € 000	Subsidiary undertakings € 000	Other Citigroup undertakings € 000	
<b>Assets</b>				
Loans and advances to banks	-	-	5,806,710	5,806,710
Loans and advances to customers	-	-	1,366	1,366
Prepayments and accrued income	-	-	7,233	7,233
Other assets and derivatives	-	-	2,031,062	2,031,062
<b>Liabilities</b>				
Deposits by banks	(4)	-	5,776,081	5,776,077
Customer accounts	-	-	20,290	20,290
Accruals and deferred income	-	-	23,308	23,308
Other liabilities and derivatives	-	-	2,121,621	2,121,621
<b>Commitments and guarantees</b>	-	-	474,859	474,859
<b>Income statement</b>				
Interest and similar income	-	-	53,205	53,205
Interest payable	-	-	(11,824)	(11,824)
Net fee and commission income	-	-	242,039	242,039
Other operating income	-	-	24,959	24,959
Net trading income	-	-	5,241	5,241
Other expenses	-	-	(62,057)	(62,057)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Related party transactions (continued)

	2010			
	Parent company undertakings € 000	Subsidiary undertakings € 000	Other Citigroup undertakings € 000	Total € 000
<b>Assets</b>				
Loans and advances to banks	-	-	6,078,413	6,078,413
Prepayments and accrued income	-	-	36,790	36,790
Other assets and derivatives	-	-	1,725,375	1,725,375
<b>Liabilities</b>				
Deposits by banks	-	-	2,347,435	2,347,435
Customer accounts	-	-	22,654	22,654
Accruals and deferred income	-	-	35,569	35,569
Other liabilities and derivatives	-	-	1,543,941	1,543,941
<b>Commitments and guarantees</b>	-	-	554,105	554,105
<b>Income statement</b>				
Interest and similar income	-	-	62,155	62,155
Interest payable	-	-	(10,001)	(10,001)
Net fee and commission income	-	-	293,626	293,626
Other operating income	-	253	2,178	2,431
Net trading income	-	-	32,399	32,399
Other expenses	-	-	(99,513)	(99,513)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Reserves

Capital contributions arise from contributions from the Company's intermediate parent undertaking, Citibank Overseas Investment Corporation, of which €279 million (2010: €279 million) forms part of the Company's distributable reserves.

	Share capital € 000	Share premium € 000	Capital reserve € 000	Other reserves			Retained earnings € 000	Total € 000
				Share based payments € 000	Translation reserves € 000	AFS bond reserve € 000		
<b>At 1 January 2010</b>	9,318	1,111,484	279,538	6,893	(9,318)	1,531	2,125,858	3,525,304
Profit for the period	-	-	-	-	-	-	458,184	458,184
Available for sale reserve	-	-	-	-	-	(14,277)	-	(14,277)
Share based payments	-	-	-	447	-	-	-	447
Translation reserve	-	-	-	-	(8,450)	-	986	(7,464)
<b>At 31 December 2010</b>	<b>9,318</b>	<b>1,111,484</b>	<b>279,538</b>	<b>7,340</b>	<b>(17,768)</b>	<b>(12,746)</b>	<b>2,585,028</b>	<b>3,962,194</b>
Profit for the period	-	-	-	-	-	-	655,058	655,058
Available for sale reserve	-	-	-	-	-	(15,745)	-	(15,745)
Share based payments	-	-	-	1,326	-	-	-	1,326
Translation reserve	-	-	-	-	704	-	-	704
Dividend	-	-	-	-	-	-	(565,000)	(565,000)
<b>At 31 December 2011</b>	<b>9,318</b>	<b>1,111,484</b>	<b>279,538</b>	<b>8,666</b>	<b>(17,064)</b>	<b>(28,491)</b>	<b>2,675,086</b>	<b>4,038,537</b>

### 29. Parent companies

The Company is a subsidiary undertaking of Citibank Holding Ireland Limited, incorporated in Ireland.

The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc. The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from [www.citigroup.com/citi/corporategovernance/ar.htm](http://www.citigroup.com/citi/corporategovernance/ar.htm).

The smallest Company in which the results of the Company are consolidated is that headed by Citibank Holdings Ireland Limited. Copies of the Company accounts will be available to the public and may be obtained from its offices at Citigroup Centre, 1 North Wall Quay, Dublin 1.

### 30. Subsequent events

On 1st January 2012, to further enhance the Investor Services offering, the Company acquired the assets, liabilities and business of sister group companies Citi Fund Services (Ireland), Limited and of Citi Hedge Fund Services (Ireland), Limited by way of a scheme of arrangement pursuant to Sections 201 - 203 of the Companies Act 1963 (Act).

On 1st March 2012, the Company changed its functional accounting currency from Euro to US dollar to better align its assets and liabilities.

### 31. Approval of financial statements

The financial statements of the Company were approved by the Board of Directors on 22<sup>nd</sup> March 2012.

