

CITIBANK EUROPE PLC

(Registered Number: 132781)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2009

CITIBANK EUROPE PLC

CONTENTS

Directors and other information	2
Report of the Directors	3
Directors' responsibilities for financial statements	7
Independent Auditor's Report	8
Income statement	10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Cash flow statement	14
Notes to the financial statements	15

CITIBANK EUROPE PLC

BOARD OF DIRECTORS AND OTHER INFORMATION

DIRECTORS

Francesco Vanni d'Archirafi - Chairman
Aidan Brady – Chief Executive
Sanjeeb Chaudhuri
Mark Fitzgerald
Brian Hayes
Mary Lambkin* - Non-Executive
Frank McCabe* - Non-Executive
William J. Mills
Terence O'Leary
Naveed Sultan
Christopher Teano
Tony Woods

COMPANY SECRETARY

Cecilia Ronan

** Denotes Audit Committee Members*

REGISTERED OFFICE

1 North Wall Quay, Dublin 1

SOLICITORS

Matheson Ormsby Prentice
70 Sir John Rogersons Quay, Dublin 2

AUDITORS

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 2009.

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 have stabilised during 2009, the macroeconomic environment has 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 €602 million (2008: €546 million). After tax, the Company made a profit for the year of €16 million (2008: €472 million).

The primary contributors of profits in the Company are the Worldlink and European Funds Transfer products which between them contributed profit before tax of €57 million in 2009 (2008: €341 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 2009 the Company’s cost/income ratio was 43% (2008: 36%). The increase in the ratio is primarily due to the addition of the three new branches in the current year. Excluding the Hungarian, Slovakian and Romanian branch acquisitions, the cost/income ratio for 2009 is 34%.

The instability in the world economy has increased the risk of customer and or counterparty delinquency or default and the Company has experienced higher write-downs and other related losses of its financial instruments. Note 27 of the financial statements provides information on some of the key risks to which the Company is exposed. The Company’s strategy continues to be to take advantage of global opportunities for the further development of its business. The company has put special focus on research and development and during 2009 opened a centre dedicated to the pursuit of innovation within financial services.

No interim dividends were paid by the Company during the year and the Directors do not recommend the payment of a final dividend.

Regulatory capital requirements

The Company’s lead regulator the Irish Financial Services Regulatory Authority (“IFSRA”) sets and monitors capital requirements for the Company.

In implementing current capital requirements the IFSRA requires the Company to maintain a prescribed ratio of total capital to total capital requirements. The Company calculates requirements in line with the IFSRA’s rules.

The Company’s policy is to maintain a strong capital base so as to maintain investor, creditor and market 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.

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

	2009	2008
	€000	€000
Total regulatory capital	<u>2,795,538</u>	<u>1,739,375</u>
Total capital requirements*	<u>1,039,074</u>	<u>819,000</u>
Capital adequacy ratio	22%	17%

CITIBANK EUROPE PLC

REPORT OF THE DIRECTORS (continued)

Acquisitions

On 1 January 2009, the Company acquired the existing businesses of other Citigroup entities in Hungary, Slovakia and Romania for a combined fair value consideration of €11 million. The acquisition was fully paid for through the issue of 1,857,823 ordinary shares of €1 each. Please refer to note 12 for further details.

Disposals

On 12 June 2009, the Company sold Obsluga Funduszy Inwestycyjnych Sp. Zo.o to a third party resulting in a loss of €2.75 million.

Income

Total operating income was €1,054 million, a 27% increase on the previous year (€828 million). Net interest income increased by 54% to €353 million from €229 million in 2008. The inclusion of the Hungarian, Slovakian and Romanian branches added €93 million to net interest income and €67 million to operating income during 2009.

Costs

Operating expenses increased by 53% year on year to €453 million. The new branches contributed €171 million to operating expenses in 2009.

Financial instruments

The financial risk management objectives and policies and the exposure to price risk, credit risk, and liquidity risk of the Company and its subsidiary undertakings have been disclosed in the Risk Management policies in note 27.

Research & Development

The Company is actively pursuing research and development (“R&D”) opportunities in all aspects of financial services business in order to become a centre of excellence for the development of innovative financial and transaction servicing products and solutions.

Overseas branches

The Company operates branches in Poland, the Czech Republic, Hungary, Slovakia and Romania and has a subsidiary in Hungary.

Political and charitable donations

During the year the Company made no political donations (2008: €NIL) and charitable donations of €81,322 (2008: €10,003)

Post balance sheet events

There have been no significant post balance sheets events.

CITIBANK EUROPE PLC

REPORT OF THE DIRECTORS (continued)

Directors, secretary and their interests

The names of the Directors and Secretary who held office during 2009 were as follows:

Francesco Vanni d' Archirafi (Chairman)
Aidan Brady (Chief Executive Officer)
Shirish Apte (resigned 2nd December 2009)
Sanjeeb Chaudhuri
Maurice Doyle (deceased)
Mark Fitzgerald
James Foster (resigned 18th February 2009)
Brian Hayes
Mary Lambkin
Frank McCabe
Peter Maskrey (resigned 18th February 2009)
William J. Mills (appointed 2nd December 2009)
Terence O'Leary (appointed 26th March 2009)
Naveed Sultan
Christopher Teano (appointed 26th March 2009)
Tony Woods
Cecilia Ronan (Company Secretary)

The Directors note the passing of Maurice Doyle during the year and would like to acknowledge the valuable contribution he made to the governance of the Company during his tenure on the board.

Neither the Directors, nor the Company Secretary, have any 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:

Directors, secretary and their interests (continued)

Director/secretary	31 December 2009 Common stock	31 December 2008* Common stock
Francesco Vanni d' Archirafi	392,766	119,837
Aidan Brady	108,467	52,192
Shirish Apte*	-	81,354
Sanjeeb Chaudhuri	33,690	42,814
Mark Fitzgerald	21,158	7,072
James Foster*	-	33,154
Brian Hayes	25,657	22,226
Frank McCabe	1,350	1,350
Peter Maskrey*	-	23,162
William J. Mills	2,191,798	2,191,798
Mary Lambkin	5,000	3,000
Terence O'Leary	44,100	41,250
Naveed Sultan	71,478	24,318
Christopher Teano	23,000	20,000
Tony Woods	7,165	5,207
Cecilia Ronan (Company Secretary)	1,119	277

*Resigned during the year therefore no disclosure required as at 31 December 2009.

CITIBANK EUROPE PLC

REPORT OF THE DIRECTORS (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 2008*	During the year		at 31 December 2009	Exercise Price US\$
		Granted	Exercised/ lapsed		
Francesco Vanni d’Archirafi	81,718	-	-	81,718	21-50
Aidan Brady	19,992	144,000	-	163,992	4.08-49.55
Shirish Apte**	148,106	-	-	-	21-50
Sanjeeb Chaudhuri	110,313	16,733	-	127,046	4.08-32-50
Mark Fitzgerald	1,516	25,623	239	26,910	4-42
James Foster**	58,333	-	-	-	42-50
Brian Hayes	2,287	80,591	-	82,878	4.08-41
Peter Maskrey**	27,405	54,171	-	81,576	4.08-50
William J. Mills	-	-	-	-	-
Terence O’Leary	11,600	71,200	-	82,800	4.08-55
Naveed Sultan	37,329	182,699	-	220,028	4.08-49
Christopher Teano	16,115	33,664	-	49,779	4.08-49.54
Tony Woods	321	41,400	-	41,721	4.08-49.54
Cecilia Ronan (Secretary)	330	440	-	770	4.08-49.54

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 2009 was US\$3.31 (2008: US\$6.71) and during the calendar year ended 31 December 2009, the closing price ranged from a low of US\$1.02 (2008: US\$3.77) to a high of US\$7.46 (2008: US\$29.69).

* or date of appointment, if later.

** Resigned during the year therefore no disclosure required as at 31 December 2009.

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:

25 March 2010

Aidan Brady
Director

Frank McCabe
Director

Mary Lambkin
Director

Cecilia Ronan
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 2009 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 adopted by the E.U. are set out in the Statement of Directors' Responsibilities on page 6.

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 balance sheet 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 2009 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 balance sheet 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 2009 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.

KPMG
Chartered Accountants
Registered Auditor
1 Harbourmaster Place
IFSC
Dublin 1

25 March 2010

CITIBANK EUROPE PLC

INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 €000	2008 €000
Interest income		482,380	423,070
Interest expense		(128,973)	(194,085)
Net interest income	3	<u>353,407</u>	<u>228,985</u>
Net credit losses	27	(148,815)	(67,832)
Net fee and commission income	4	697,055	646,927
Net trading income	5	146,973	19,249
Other operating income	6	5,225	545
Operating income		<u>1,053,845</u>	<u>827,874</u>
Personnel expenses	7	(176,630)	(113,516)
Other expenses	8	(276,093)	(182,802)
Dividend income	9	<u>1,297</u>	<u>14,790</u>
Profit before income tax		602,419	546,346
Income tax expense	11	(86,097)	(74,234)
Profit for the period		<u><u>516,322</u></u>	<u><u>472,112</u></u>

The current year profit arises solely from continuing operations.

The financial statements were approved by the Board of Directors on 25 March 2010 and signed on their behalf by:

Aidan Brady
Director

Frank McCabe
Director

Mary Lambkin
Director

Cecilia Ronan
Secretary

CITIBANK EUROPE PLC

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2009 and 31 December 2008

	Note	2009 €000	2008 €000
Profit for the period	30	<u>516,322</u>	<u>472,112</u>
Other comprehensive income			
Available for sale reserve	30	(1,769)	3,300
Translation reserve	30	(9,318)	-
Share based payments	30	<u>1,239</u>	<u>4,372</u>
Other comprehensive income for the year, net of tax		(9,848)	7,672
Total comprehensive income for the year		<u><u>506,474</u></u>	<u><u>479,784</u></u>

Aidan Brady
Director

Frank McCabe
Director

Mary Lambkin
Director

Cecilia Ronan
Secretary

CITIBANK EUROPE PLC

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2009

	Note	2009 €000	2008 €000
Assets			
Cash and balances at central banks	13	310,121	152,233
Trading assets	14,15	83,574	21,872
Derivative financial instruments	15,20	1,779,021	1,765,250
Loans and advances to banks	15	7,797,349	8,343,425
Loans and advances to customers	15	2,962,360	1,447,736
Investment securities	15,16	896,692	473,655
Shares in subsidiary undertakings	17	1,649	5,227
Goodwill and intangible assets	19	315,828	288,577
Property and equipment	18	26,520	6,625
Other assets	15	215,149	117,434
Current income tax		1,546	-
Deferred tax	23	12,219	4,355
Prepayments and accrued income		136,783	278,533
Total assets		14,538,811	12,904,922
Liabilities			
Deposits by banks	15	1,001,051	2,751,882
Customer accounts	15	6,898,393	4,456,507
Derivative financial instruments	15,20	1,833,136	1,734,900
Debt securities in issue	15,21	7,212	13,364
Accruals and deferred income		83,272	67,383
Current income tax		-	10,816
Other liabilities	22	1,190,443	1,362,635
Total liabilities		11,013,507	10,397,487
Equity shareholders' funds			
Share capital	24,30	9,318	7,460
Share premium account	30	1,111,484	601,947
Capital reserves	30	279,538	279,538
Other reserves	30	(894)	8,954
Retained earnings	30	2,125,858	1,609,536
Total shareholders' funds		3,525,304	2,507,435
Total liabilities and equity shareholders' funds		14,538,811	12,904,922
MEMORANDUM ITEMS			
Commitments	26	12,530,799	10,307,407

The financial statements were approved by the Board of Directors on 25 March 2010 and signed on their behalf by:

Aidan Brady
Director

Frank McCabe
Director

Mary Lambkin
Director

Cecilia Ronan
Secretary

CITIBANK EUROPE PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

		Share Capital €'000	Share Premium €'000	Capital Reserve €'000	Other Reserves €'000	Retained Earnings €'000	Total €'000
Balance at 1 January 2009	Note	7,460	601,947	279,538	8,954	1,609,536	2,507,435
Comprehensive income for the period							
Profit for the period	30	-	-	-	-	516,322	516,322
Available for sale assets	30	-	-	-	(1,769)	-	(1,769)
Translation reserve	30	-	-	-	(9,318)	-	(9,318)
Share based payments	30	-	-	-	1,239	-	1,239
Total comprehensive income for the period		-	-	-	(9,848)	516,322	506,474
Transactions with owners, recorded directly in equity							
Issue of ordinary shares related to business combinations	12,30	1,858	509,537	-	-	-	511,395
Total contributions by and distributions to owners		1,858	509,537	-	-	-	511,395
Balance at 31 December 2009		9,318	1,111,484	279,538	(894)	2,125,858	3,525,304

For the year ended 31 December 2008

		Share Capital €'000	Share Premium €'000	Capital Reserve €'000	Other Reserves €'000	Retained Earnings €'000	Total €'000
Balance at 1 January 2008		6,552	3,076	279,538	1,282	1,137,424	1,427,872
Comprehensive income for the period							
Profit for the period	30	-	-	-	-	472,112	472,112
Available for sale assets	30	-	-	-	3,300	-	3,300
Translation reserve	30	-	-	-	-	-	-
Share based payments	30	-	-	-	4,372	-	4,372
Total comprehensive income for the period		-	-	-	7,672	472,112	479,784
Transactions with owners, recorded directly in equity							
Issue of ordinary shares related to business combinations	30	908	598,871	-	-	-	599,779
Total contributions by and distributions to owners		908	598,871	-	-	-	599,779
Balance at 31 December 2008		7,460	601,947	279,538	8,954	1,609,536	2,507,435

CITIBANK EUROPE PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 €000	2008 €000
Cash flows from operating activities			
Profit for the period		516,322	472,112
<i>Adjustments for:</i>			
Dividend income		(1,297)	(14,790)
Income tax charged		86,097	74,234
Depreciation of property and equipment	8	8,488	2,361
Amortisation of intangibles	8	5,544	3,275
Net impairment loss on loans and advances	27	148,815	67,832
Loss on disposal of subsidiary undertaking	17	2,750	998
Loss on disposal property and equipment	18	5,339	18
Change in trading assets		(61,702)	(21,872)
Change in derivative financial instrument assets		1,224,446	703,365
Change in loans and advances to banks		(3,216,603)	181,984
Change in loans and advances to customers		(54,306)	8,157
Change in prepayments and accrued income		141,749	(164,488)
Change in other assets		799,797	49,783
Change in deposits from banks		(2,288,434)	329,879
Change customer account balances		(560,718)	(712,140)
Change in derivative financial instrument liabilities		(1,113,785)	935,341
Change in debt securities in issue		(84,508)	(51,170)
Change in accruals and deferred income		15,889	30,839
Change in other liabilities		(280,488)	(44,967)
Effect of exchange translations and other adjustments		(8,877)	7,672
Income tax paid		(98,459)	(63,419)
Net cash (used in) / from operating activities		<u>(4,813,941)</u>	<u>1,795,004</u>
Cash flows from investing activities			
Acquisition of investment securities		(9,841,651)	90,282
Disposal of investment securities		10,079,018	-
Acquisition of property and equipment	18	(12,728)	(8,565)
Acquisition of intangible assets	19	(26,039)	(9,310)
Disposal of intangible assets	18	2	-
Dividends received from subsidiary companies	9	1,297	14,790
Disposal of subsidiary undertaking	17	2,476	-
Cash received through acquisitions	12	1,006,773	603,485
Net cash from investing activities		<u>1,209,148</u>	<u>690,682</u>
Net (decrease)/increase in cash and cash equivalents		(3,604,793)	2,485,686
Cash and cash equivalents at beginning of year	13	8,188,808	5,703,122
Cash and cash equivalents at end of year	13	<u>4,584,015</u>	<u>8,188,808</u>

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) and its interpretations 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).

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

- Revised IAS 1 ‘Presentation of Financial Statements’ is effective for periods beginning after 1 January 2009. This has an impact on the presentation of the financial statements as the Company provides total comprehensive income in two separate statements (effectively presenting the income statement and all non-owners changes in equity in two separate statements), and adopts labels to the statements based on the amended requirements.
- Revised IFRS 7 ‘Financial Instruments’ is effective for periods beginning on or after 1 January 2009. The revised standard requires that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments and amended disclosures of liquidity risks which require disclosure of a maturity analysis for non-derivative and derivative financial liabilities.

The Company has elected not to early adopt the following standards:

- Revised IFRS 3 ‘Business Combinations’, is effective from 1 January 2010 and will be applied prospectively and therefore have no impact on prior periods financial results.
- Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. The amendments to IAS 27, which become mandatory for the Company’s 2010 consolidated financial statements, are not expected to have an impact on the consolidated financial statements.
- IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB’s comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets.
The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

b) Basis of presentation (continued)

The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date.

However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host of that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at a amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted and the Company is currently in the process of evaluating the potential effect of this standard.

c) 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.

Interest income and expense presented in the income statement include:

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

e) Fees and commissions

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 on an accruals basis as the related services are performed.

f) Trading income

Net 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) Dividends

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 they are originated. 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 set up 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.

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 on items designated at fair value through profit and loss.

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 their classification, and are presented in the balance sheet together with the host contract. In 2009 the Company has no embedded derivatives (2008: €NIL).

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

h) Financial assets and liabilities (continued)

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 including directly attributable costs 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 debt securities are sold or impaired the cumulative gain or loss previously recognised in equity is transferred to the income statement and disclosed within investment 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, debt 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.

i) Impairment of financial assets

The Company assesses at each balance sheet 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 balance sheet 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.

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. 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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

i) Impairment of financial assets (continued)

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss 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 profit or loss. 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 debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, 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 equity 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 which is used to discount the future cash flows for the purpose of measuring the impairment loss, 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.

Where such evidence exists for assets classified as available-for-sale, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as for assets held at amortised cost.

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.

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 1 and 7 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 during which they are incurred.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

l) Goodwill and intangible assets (continued)

(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 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 five 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. Goodwill is 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.

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 balance sheet date.

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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

o) Foreign currencies

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency 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 at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency 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.

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.

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.

On 1 January 2008 the company adopted IFRIC 11 "IFRS 2 Group and Treasury Share Transactions" which resulted in the Company moving to equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc. Previously the Company applied cash-settled accounting to the combination of the share based incentive plans and the associated obligation to Citigroup Inc. The Company now recognises the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup Inc. All amounts paid to Citigroup Inc 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. Previously such amounts were recognised in the income statement over the vesting period (see Note 25 for impact of change).

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

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 profit and loss 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. They are carried at amortised cost in the balance sheet.

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) Foreign operations

The assets and liabilities of foreign operations are translated into Euro, at the exchange rate in place at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

w) 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".

x) 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 assumptions and estimates

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

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 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 was used to determine if an impairment had occurred. Financial projections based on macroeconomic indicators and future business strategies were extrapolated out to 15 years, with EBIT growth of 3% for the last 10 years primarily based on consensus GDP forecasts. These projections were then discounted back at a premium to German government bond yields (including adjustments for equity risk premium, non-marketability and country risk), in line with accounting standards. The discount rate used in the value in use calculation was 11.79%.

Valuation of intangible assets

Management may be required to use estimates on the valuation of certain material intangible assets and will bring in external professional advice to assist with this process.

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 15 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 25 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.

The amount of the deferred tax asset recognised is based on the evidence available about conditions at the balance sheet date, and requires significant judgements to be made by management, especially those based on management's projections of business growth, credit losses and the timing of a general economic recovery. Management's judgement takes into account the impact of both negative and positive evidence, including historical financial results and projections of future taxable income, on which the recognition of the deferred tax asset is mainly dependent. Note 23 gives further details on deferred tax.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

3. Net interest income

	2009	2008
	€000	€000
Interest and similar income		
Loans and advances to banks	132,277	268,045
Loans and advances to customers	255,049	128,376
Investment securities - available for sale	78,564	16,683
Other interest income	16,490	9,966
	<u>482,380</u>	<u>423,070</u>
Interest expense and similar charges		
Deposits by banks	22,170	66,434
Customer accounts	104,611	126,819
Other interest paid	2,192	832
	<u>128,973</u>	<u>194,085</u>
Net interest income	<u>353,407</u>	<u>228,985</u>

4. Fee and commission income

	2009		
	€000	€000	€000
	Consumer	Institutional	Total
Fee and commission income	49,705	677,628	727,333
Fee and commission expense	(11,746)	(18,532)	(30,278)
Net fee and commission income	<u>37,959</u>	<u>659,096</u>	<u>697,055</u>
	2008		
	€000	€000	€000
	Consumer	Institutional	Total
Fee and commission income	9,553	642,973	652,526
Fee and commission expense	(4,223)	(1,376)	(5,599)
Net fee and commission income	<u>5,330</u>	<u>641,597</u>	<u>646,927</u>

5. Net trading income

	2009	2008
	€000	€000
Trading securities	47,207	3,475
Trading derivatives	99,766	15,774
	<u>146,973</u>	<u>19,249</u>

6. Other operating income

Other operating income consists mainly of intercompany income, dividend income from equities and other miscellaneous income (2009: €5,225,000, 2008: €545,000).

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

7. Personnel expenses

The average number of persons employed by the Company during the year was 3,746 (2008: 1,795).

	2009	2008
	€000	€000
Employee remuneration	146,207	96,602
Share based payments	3,840	2,910
Pension costs	3,878	3,429
Social security costs	22,705	10,575
	<u>176,630</u>	<u>113,516</u>

The Company operates a number of defined contribution pension schemes. During the year contributions of €3,878,000 (2008: €3,429,000) 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 (2008: €NIL) were payable to these schemes at the year-end.

8. Other expenses

Profit before tax is arrived at after charging for:

	2009	2008
	€000	€000
Research and Development	6,000	2,340
Depreciation	8,488	2,361
Amortisation	5,544	3,275
Auditors' remuneration		
- audit services	703	391
- audit related services	179	127
- non-audit services	25	76
Other administration expenses	255,154	174,232
	<u>276,093</u>	<u>182,802</u>

9. Dividend Income

During 2009, the Company received a dividend from its Polish subsidiary, Obsluga Funduszy Inwestycyjnych Sp. Zo.o of €1,296,647 (2008: €14,789,997).

10. Directors' emoluments

	2009	2008
	€000	€000
Aggregate emoluments		
- fees	150	150
- other remuneration, including pension contributions	3,733	3,551
	<u>3,883</u>	<u>3,701</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

11. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

	2009	2008
	€000	€000
Current tax:		
Corporation tax on profits of the period	(100,676)	(73,833)
Adjustments in respect of corporation tax for earlier years	4,637	-
	<u>(96,039)</u>	<u>(73,833)</u>
Deferred tax:		
Origination and reversal of temporary differences	-	(401)
Current year deferred tax	9,942	-
Total deferred tax (note 23)	<u>9,942</u>	<u>(401)</u>
Total income tax expense	<u><u>(86,097)</u></u>	<u><u>(74,234)</u></u>

(b) Reconciliation of effective tax rate:

	2009	2008
	€000	€000
Profit before income tax	602,419	531,556
Income tax at Irish corporation tax rate of 12.5%	(75,302)	(66,445)
Effects of:		
Income taxes paid in foreign jurisdictions	(38,487)	(9,995)
Capital allowances and other sundry differences	1,646	176
Non-deductible expenses	(3,625)	(375)
Double taxation relief	11,405	4,972
Double taxation relief loss adjustment	3,385	-
Utilisation of losses brought forward	91	91
Other	54	(144)
Income tax on dividends	157	(2,113)
Income tax expense	<u><u>(100,676)</u></u>	<u><u>(73,833)</u></u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

12. Business combinations

On 1 January 2009 the Company opened branches in Hungary, Slovakia and Romania for a combined consideration of €11 million, by acquiring the existing business of other Citigroup entities. At the date of the transaction it was deemed by management that the book value of these entities was an appropriate approximation of fair value given the market conditions prevailing at the time. The acquisition was fully paid for through the issue of 1,857,823 ordinary shares of €1 each. The branches provide corporate and consumer banking products and services.

The acquired net assets of the three branches included the following:	Hungary €'000	Slovakia €'000	Romania €'000	TOTAL €'000
Cash and balances at central banks	41,027	713,634	252,112	1,006,773
Loans and advances to customers	701,440	475,263	432,431	1,609,134
Debt Securities	559,501	101,468	1,046	662,015
Derivative financial instruments - assets	944,657	75,100	218,460	1,238,217
Other asset items	757,717	37,344	134,901	929,961
Deferred tax asset	2,040	1,257	879	4,176
Deposits by banks	(193,506)	(304,613)	(39,484)	(537,603)
Customer accounts	(1,507,057)	(857,263)	(638,285)	(3,002,605)
Derivative financial instruments - liabilities	(921,290)	(56,265)	(234,466)	(1,212,021)
Other liability items	(102,524)	(73,746)	(10,383)	(186,652)
Net Assets	282,005	112,179	117,211	511,395

Increase in Share Capital and Reserves:

Share capital	1,858
Share premium	509,537
	<u>511,395</u>

The table below sets out the revenues and profits of the three branches for 2009.

Branch revenues and profit after tax / (loss) - 2009	Hungary €'000	Slovakia €'000	Romania €'000	TOTAL €'000
Revenues	248,041	26,505	88,066	362,612
Profit after tax/ (loss)	63,647	(2,995)	12,792	73,444

13. 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:

	2009 €000	2008 €000
Cash and balances with central banks	310,121	152,233
Loans and advances to banks	4,273,894	8,036,575
	<u>4,584,015</u>	<u>8,188,808</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

14. Trading assets

	2009	2008
	€000	€000
Government bonds	<u>83,574</u>	<u>21,872</u>

15. Financial assets and liabilities

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

31 December 2009	Fair value			Total
	Level 1	Level 2	Level 3	
	€'000s	€'000s	€'000s	€'000s
Financial assets				
Derivative financial instruments	-	1,779,021	-	1,779,021
Other financial assets held for trading	50,876	32,698	-	83,574
Financial investments available-for-sale	568,967	327,725	-	896,692
Financial assets in total	<u>619,843</u>	<u>2,139,444</u>	<u>-</u>	<u>2,759,287</u>

31 December 2009	Fair value			Total
	Level 1	Level 2	Level 3	
	€'000s	€'000s	€'000s	€'000s
Financial liabilities				
Derivative financial instruments	-	1,833,136	-	1,833,136
Financial liabilities in total	<u>-</u>	<u>1,833,136</u>	<u>-</u>	<u>1,833,136</u>

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 during the year ended 31 December 2009.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Assets and Liabilities (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the Bank'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 2009		31 December 2008	
		Carrying amount	Total Fair Value	Carrying amount	Total Fair Value
		€'000s	€'000s	€'000s	€'000s
Financial assets					
Cash and balances with central bank	13	<u>310,121</u>	<u>310,121</u>	<u>152,233</u>	<u>152,233</u>
Due from banks					
Loans and advances - intercompany		6,951,832	6,951,832	7,908,517	7,908,517
Loans and advances - 3rd party	27	<u>845,517</u>	<u>844,966</u>	<u>434,908</u>	<u>434,908</u>
		7,797,349	7,796,798	8,343,425	8,343,425
Loans and advances to customers					
Charge and credit card debtors	27	348,471	325,109	-	-
Commercial loans	27	2,297,386	2,298,951	1,192,252	1,192,252
Consumer loans	27	<u>316,503</u>	<u>297,592</u>	<u>255,484</u>	<u>255,484</u>
		2,962,360	2,921,652	1,447,736	1,447,736
Other financial assets		215,149	215,149	117,434	117,434
		<u>11,284,979</u>	<u>11,243,720</u>	<u>10,060,828</u>	<u>10,060,828</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

15. Financial Assets and Liabilities (continued)

	31 December 2009		31 December 2008	
	Carrying amount €'000s	Total Fair Value €'000s	Carrying amount €'000s	Total Fair Value €'000s
Financial liabilities				
Due to banks - Intercompany	310,280	310,239	2,353,857	2,353,857
Due to banks - 3rd party	690,771	690,726	398,025	398,025
	1,001,051	1,000,965	2,751,882	2,751,882
Due to customers	6,898,393	6,893,437	4,456,507	4,456,507
Debt issued and other borrowed funds	7,212	7,212	13,364	13,364
Other financial liabilities	1,165,482	1,165,482	1,362,635	1,362,635
	9,072,138	9,067,096	8,584,388	8,584,388

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
- Investment securities classified as available-for-sale or designated at fair value, through P&L, 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 analyses. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued. In certain cases the fair value approximates carrying value because the instruments are short term in nature or reprice frequently.
- 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 banks is a reasonable approximation of fair value due to the short term nature of the balances.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

16. Investment securities

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

	2009	2008
	€000	€000
Investment securities - available for sale		
Debt securities:		
- listed	669,334	473,553
- unlisted	226,752	-
Equity securities:		
- listed	534	102
- unlisted	72	-
	<u>896,692</u>	<u>473,655</u>

17. Shares in subsidiary undertakings

	2009	2008
	€000	€000
At 1 January	5,227	5,605
Capital contribution	-	1,764
Addition through business combination	1,649	-
Disposal	(5,227)	(2,142)
At 31 December	<u>1,649</u>	<u>5,227</u>

On 12 June 2009, the Company disposed of Obsługa Funduszy Inwestycyjnych Sp. Zo.o to a third party resulting in a loss on disposal of €2.75 million.

On 1 January 2009 the Company acquired the Hungarian branch and through this acquisition, the branch's investment in its subsidiary, Citibank Kereskedelmi és Szolgáltató Kft.

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

18. Property and equipment

	Leasehold improvements €000	Vehicles, furniture and equipment €000	TOTAL €000
Cost			
At 1 January 2008	-	712	712
Additions from business combinations	-	5,076	5,076
Additions	-	3,471	3,471
Disposals	-	(1,255)	(1,255)
At 31 December 2008	-	8,004	8,004
Additions from business combinations	9,852	11,369	21,221
Additions	6,715	6,013	12,728
Disposals	(5,852)	(4,790)	(10,642)
Foreign exchange	(312)	(337)	(649)
At 31 December 2009	<u>10,403</u>	<u>20,259</u>	<u>30,662</u>
Depreciation			
At 1 January 2008	-	273	273
Charged in year	-	2,361	2,361
Disposals	-	(1,255)	(1,255)
At 31 December 2008	-	1,379	1,379
Charged in year	3,136	5,352	8,488
Disposals	(2,563)	(2,740)	(5,303)
Foreign exchange	(55)	(367)	(422)
At 31 December 2009	<u>518</u>	<u>3,624</u>	<u>4,142</u>
Net book value			
At 31 December 2009	<u>9,885</u>	<u>16,635</u>	<u>26,520</u>
At 31 December 2008	<u>-</u>	<u>6,625</u>	<u>6,625</u>

There were no capitalised borrowing costs related to the acquisition of plant and equipment during the year (2008: nil).

The addition of the Hungarian, Slovakian and Romanian branches to the Company's operations added €21 million of tangible fixed assets to the Company's balance sheet at 31 December 2009.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

19. Goodwill and Intangible assets

	Goodwill €'000	Computer Software €'000	Total €'000
Cost			
1 January 2008	-	1,251	1,251
Additions from business combinations	281,943	5,760	287,703
Additions	-	3,550	3,550
Disposals	-	(684)	(684)
At 31 December 2008	281,943	9,877	291,820
Additions from business combinations	-	7,502	7,502
Additions	-	26,039	26,039
Disposals	-	(1,142)	(1,142)
Foreign exchange	-	(22)	(22)
31 December 2009	281,943	42,254	324,197
Amortisation and impairment losses			
1 January 2008	-	652	652
Amortisation and impairment losses	-	3,275	3,275
Disposals	-	(684)	(684)
At 31 December 2008	-	3,243	3,243
Amortisation	-	5,544	5,544
Disposals	-	(1,140)	(1,140)
Foreign exchange	-	722	722
31 December 2009	-	8,369	8,369
Net carrying value			
31 December 2009	281,943	33,885	315,828
31 December 2008	281,943	6,634	288,577

The goodwill arose during 2008 as a result of the opening of the branch in the Czech Republic. The fair value of the acquired operations was €600 million which includes a goodwill component of €282 million. The Company issued share capital of 908,846 shares of €1 each in respect of this transaction at the date of the acquisition. The recoverable amount of the business following a value in use calculation is €290 million, therefore management are of the opinion that there has been no impairment of the goodwill and as such no impairment loss has been recorded.

The Company purchased software from an affiliate company during 2009 worth €7.8 million. As at 31 December 2009 this software has not yet been commissioned.

There was no internally generated software or capitalised borrowing costs related to the acquisition of intangible assets during the year (2008: nil).

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

20. Derivative Financial Instruments

	2009	2009		2008	2008	
	Notional	Fair value		Notional	Fair value	
	amount	Asset	Liability	amount	Asset	Liability
	€000's	€000's	€000's	€000's	€000's	€000's
Exchange rate related contracts						
Forwards and futures	7,798,574	121,763	126,323	13,079,650	458,720	406,733
Currency swaps	7,933,600	165,100	197,970	3,317,993	126,218	132,566
Options	2,557,311	46,657	46,644	5,770,041	156,780	161,336
	<u>18,289,485</u>	<u>333,520</u>	<u>370,938</u>	<u>22,167,684</u>	<u>741,718</u>	<u>700,635</u>
Interest rate related contracts						
FRA	5,028,910	11,009	9,697	7,841,485	29,899	28,532
Interest rate swaps	58,763,822	1,346,084	1,364,093	37,718,103	883,570	895,670
Options	3,846,698	87,282	87,282	4,302,936	88,927	88,927
	<u>67,639,430</u>	<u>1,444,375</u>	<u>1,461,072</u>	<u>49,862,524</u>	<u>1,002,396</u>	<u>1,013,129</u>
Equity and commodity related contracts						
Options	694	1	1	5,082	61	61
Swaps	2,566	1,125	1,125	115,132	21,075	21,075
	<u>3,260</u>	<u>1,126</u>	<u>1,126</u>	<u>120,214</u>	<u>21,136</u>	<u>21,136</u>
Total derivative contracts	<u>85,932,175</u>	<u>1,779,021</u>	<u>1,833,136</u>	<u>72,150,422</u>	<u>1,765,250</u>	<u>1,734,900</u>

21. Debt Securities Issued

	2009	2008
	€000	€000
Fixed rate notes	7,212	13,364
	<u>7,212</u>	<u>13,364</u>

The debt securities are promissory notes with maturity dates of less than 1 year.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

22. Other Liabilities

	2009	2008
	€000	€000
Accounts payable	1,000,905	1,161,335
Other balances	189,538	201,300
	<u>1,190,443</u>	<u>1,362,635</u>

Accounts payable comprises amounts payable in relation to pre – funded obligations arising from the Company’s Worldlink multi–currency transaction services business. The accounts payable balance includes amounts payable to other financial institutions, corporates and other group entities.

23. Deferred tax assets

	2009	2008
	€000	€000
At 1 January 2009	4,355	872
Acquired from business combination - asset	4,176	3,884
Acquired from business combination - liability	(6,254)	-
Income statement charge (note 11a)	9,942	(401)
At 31 December 2009	<u>12,219</u>	<u>4,355</u>

The movement on the deferred tax is as follows:

	2009	2008
	€000	€000
At 1 January	4,335	872
Property / Equipment and Software	1,023	-
Available for sale Securities	60	-
Allowances for loan losses	5,951	3,463
Tax Loss carry- forward	650	-
Share based payment transactions	566	-
Other	(366)	-
At 31 December	<u>12,219</u>	<u>4,335</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

24. Called up share capital

Authorised	2009	2008
	€'000	€'000
5,000,000,000 common stock of €1 each	5,000,000	5,000,000
	<hr/>	<hr/>
Allotted, called-up and fully paid	2009	2008
	€'000	€'000
9,318,254 (2008: 7,460,431) common stock of €1 each	9,318	7,460
	<hr/>	<hr/>

On 1 January 2009 the Company opened branches in Hungary, Slovakia and Romania by acquiring the existing business of other Citigroup entities. The acquisition was fully paid for through the issue of 1,857,823 ordinary shares of €1 each.

25. 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

The Company participates in a number of Citigroup stock option programmes for its employees. Generally, since January 2005, stock options have been granted only to Citigroup's Capital Accumulation Programme ('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 executives thereafter). Prior to 2003, Citigroup options, including options granted since the date of the merger of Citicorp and Travelers 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.

On October 29, 2009 the Company made a discretionary one-off grant of options to eligible employees pursuant to the broad-based Citigroup Employee Option Grant (CEOG) Program under the Citigroup 2009 Stock Incentive Plan, which was approved by Citigroup's shareholders on April 21, 2009. Under CEOG, the options generally vest ratably 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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

25. Share-based incentive plans (continued)

Information for the Company with respect to stock option activity in 2009 and 2008 under Citigroup stock option plans is as follows:

	2009		2008	
	Options	Weighted average exercise price \$	Options	Weighted average exercise price \$
Outstanding, beginning of year	183,923	41.46	76,765	39.86
Granted	1,921,531	4.08	10,502	24.45
Forfeited	(3,799)	49.22	(4,105)	32.12
Exercised	-	-	(7,165)	22.05
Transfers	292,128	42.62	112,001	41.86
Expired	(36,912)	32.05	(4,075)	21.92
Outstanding, end of year	2,356,871	11.26	183,923	41.46
Exercisable, end of year	395,960	44.20	167,812	42.14

The weighted average share price at the exercise date for options exercised during the year was \$4.67 (2008: \$26.46).

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

25. Share-based incentive plans (continued)

The following table summarises the information about stock options outstanding under Citigroup stock option plans at 31 December 2009:

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 \$
< \$30.00	1,961,739	4.82	4.50	10,052	24.45
\$30.00 - \$39.99	-	-	-	-	-
\$40.00 - \$49.99	389,431	0.19	44.72	383,058	44.64
≥ \$50.00	5,701	0.01	54.38	2,850	54.38
	<u>2,356,871</u>	<u>5.02</u>	<u>11.26</u>	<u>395,960</u>	<u>44.20</u>

The following table summarises the information about stock options outstanding under Citigroup stock option plans at 31 December 2008:

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 \$
< \$30.00	49,002	5.06	24.45	-	-
\$30.00 - \$39.99	46,030	0.12	32.06	46,030	32.06
\$40.00 - \$49.99	254,247	1.97	45.41	248,502	45.35
≥ \$50.00	6,708	4.04	54.38	1,694	54.39
	<u>355,987</u>	<u>2.19</u>	<u>40.97</u>	<u>296,226</u>	<u>43.34</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

25. Share-based incentive plans (continued)

Stock award programme

The Company participates in the Citigroup CAP programme, under which shares of Citigroup common stock are awarded in the form of restricted or deferred stock to participating employees. 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 executives). 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.

The program provides that employees who meet certain age plus years-of-service requirements 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.

Stock awards granted in January 2009, 2008, 2007, 2006 and 2005 generally vest 25% per year over four years. The figures presented in the stock option programme table include options granted under CAP.

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

	2009	2008
Shares awarded	2,136,528	822,240
Weighted average fair market value per share	\$4.67	\$26.33
Compensation cost charged to earnings	€3,839,737	€2,910,469
Total carrying amount of equity-settled transaction liability	€2,600,645	€183,780
Total intrinsic value of liability for vested benefits	€NIL	€NIL
Fair value adjustments recorded to equity	€1,239,092	€4,372,343

Fair value assumptions

Reload options have been treated as separate grants from the related original grants. Under the Company'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 Company'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.

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 type 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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

25. Share-based incentive plans (continued)

For options granted during	2009	2008
Weighted average fair value at year end		
Option	\$0.41	\$0.18
Weighted average expected life		
Original grants	5 years	3 years
Reload grants	1 years	3 years
Option life	5 years	3 years
Valuation assumptions		
Expected volatility	37.74%	42.96%
Risk-free interest rate	2.56%	0.72%
Expected dividend yield	0.00%	0.60%
Expected annual forfeitures	9.62%	7.58%

26. 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 balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with Irish Financial Regulator guidelines on capital adequacy.

	Contract amount 2009 €000	Risk weighted amount 2009 €000	Contract amount 2008 €000	Risk weighted amount 2008 €000
Undrawn Credit lines	1,939,628	747,474	1,208,476	239,178
other commitments				
- less than 1 yr	1,706,744	670,612	1,197,507	471,936
- 1 yr and over	8,684,427	1,062,286	7,812,917	1,037,632
Extended rate commitment	200,000	200,000	88,507	88,507
Total	<u>12,530,799</u>	<u>2,680,372</u>	<u>10,307,407</u>	<u>1,837,253</u>

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

The Company has granted a floating charge over certain holdings in securities, collateral and monies relating to the Company's participation in clearance/settlement systems. The Company held an impairment provision of €5.5 million as at 31 December 2009 (2008: €5.9 million), with respect to their 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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. 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 balance sheet.

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.
- **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 are the main instruments used for economically hedging the balance sheet.

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 balance sheet 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 related to pre-funded obligations arising from the Company's Worldlink multi-currency transaction services business.

Risk management

In addition to the risk management changes that were put in place to support Citibank Europe plc's Central European branch network from a credit, market and operational risk perspective, changes were also made to the Citigroup risk management organisation in 2008 to facilitate the management of risk across three dimensions: businesses, regions and critical products. Each of the major business groups 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. These changes directly affected the risk management within the Company.

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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Risk management (continued)

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 newly-created 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 Citibank Europe plc Credit, Market and Operational Risk Committees.

Risk aggregation and stress testing

The 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.

During 2009, comprehensive stress tests were implemented 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 enhanced 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.

Citibank Europe Plc conducts stress testing from the entities perspective and the results are built into the future capital plans of the entity.

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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Market risk management

The Company and other Citigroup entities business and corporate oversight groups have defined market risk management responsibilities. Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market risk controls and limits, policies and procedures and appropriate senior management risk oversight with a risk management function independent from the business. Management of this process begins with the professionals nearest to the 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 Audit and Risk Review to ensure compliance with institutional policies and procedures for the assessment, management, and control of market risk.

Price risk is measured using Interest Rate Exposure ("IRE") limits, stress and scenario analysis, which are applied to interest rate risk arising in the non-trading portfolios and factor sensitivity limits and Value-at Risk ("VaR"), stress and scenario analysis, which 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 average, once every one hundred business days.

VaR Methodology

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

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 it 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:

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Czech					
	31-Dec-09				31-Dec-08
	<i>Outstanding</i>	<i>Min</i>	<i>Avg</i>	<i>Max</i>	<i>Outstanding</i>
VaR of interest instruments	779	271	640	1,090	370
VaR of currency instruments	36	5	193	686	612
Total portfolio VaR	766	315	688	1,176	679
Hungary					
	31-Dec-09				31-Dec-08
	<i>Outstanding</i>	<i>Min</i>	<i>Avg</i>	<i>Max</i>	<i>Outstanding</i>
VaR of interest instruments	526	297	537	1,029	461
VaR of currency instruments	208	1	369	693	216
Total portfolio VaR	630	347	707	1,292	556
Slovakia					
	31-Dec-09				31-Dec-08
	<i>Outstanding</i>	<i>Min</i>	<i>Avg</i>	<i>Max</i>	<i>Outstanding</i>
VaR of interest instruments	5	4	8	26	22
VaR of currency instruments	13	1	7	343	343
Total portfolio VaR	14	6	13	347	347
Romania					
	31-Dec-09				31-Dec-08
	<i>Outstanding</i>	<i>Min</i>	<i>Avg</i>	<i>Max</i>	<i>Outstanding</i>
VaR of interest instruments	553	56	718	1,203	75
VaR of currency instruments	152	22	339	957	8
Total portfolio VaR	541	39	690	1,182	74

Non-trading price risk

Price risk in the non-trading portfolios is measured using Interest Rate Gap Analysis, IRE (Interest Rate Exposure) limits, stress and scenario analysis. Interest Rate Gap Analysis utilises the maturity or re-pricing schedules of balance sheet 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 balance sheet. 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 while a negative IRE indicates a potential decline of earnings.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Market risk management (continued)

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

Interest Rate Exposure Report

Currency €000's	2009		2008	
	12 Month	5 Year	12 Month	5 Year
USD	(1,977)	(986)	(438)	(1,395)
EUR	166	2,753	1,108	818
RON	(703)	(2,085)	-	-
CZK	(687)	1,048	(736)	(1,125)
HUF	(2,169)	(1,851)	-	-
GBP	56	465	123	380

Citi's "Market Risk Management for Accrual Portfolios Policy and Standards" policy governs the Company's measurement and reporting of interest rate risk in the non-trading portfolio. Business-specific assumptions underling these measurements must be documented and models used to measure interest rate risk must be independently reviewed for accuracy.

Currency risk

As mentioned above, 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, principally Euro and US dollars, 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. The below table shows the Company's balance sheet by currency

Total assets and liabilities denominated by currency

	2009 €000	2008 €000
Denominated in Euro	6,643,969	4,425,536
Denominated in USD	2,425,172	4,022,838
Denominated in other currencies	5,469,670	4,456,548
Total assets	14,538,811	12,904,922
Denominated in Euro	6,446,173	4,310,669
Denominated in USD	2,434,623	3,946,392
Denominated in other currencies	5,658,015	4,647,861
Total liabilities	14,538,811	12,904,922

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Market risk management (continued)

Based on the exposures at year end, the below table shows the impact on the balance sheet of a 5% parallel upward shift in FX rates

	2009	2008
	€000	€000
Denominated in Euro	332,198	221,277
Denominated in USD	121,259	201,142
Denominated in other currencies	273,484	222,827
Total assets	<u>726,941</u>	<u>645,246</u>
Denominated in Euro	322,309	215,533
Denominated in USD	121,731	197,320
Denominated in other currencies	282,901	232,393
Total liabilities	<u>726,941</u>	<u>645,246</u>

Liquidity risk

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 balance sheet.

A liquidity policy is prepared 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 the Liquidity Risk Management Policy for Citigroup.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

The following table analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date:

Liquidity risk (continued)

2009	1 year and less €000	>1 year and 5 years €000	Greater than 5 years €000	No fixed maturity	Carrying amount €000
Assets					
Cash and balances at central banks	310,121	-	-	-	310,121
Loans and advances to banks	7,342,286	455,063	-	-	7,797,349
Loans and advances to customers	2,334,339	383,885	58,476	185,660	2,962,360
Debt Securities	660,182	8,463	-	1,110,376	1,779,021
Derivative financial instruments	41,323	9,546	32,705	-	83,574
Trading assets	591,619	232,080	72,635	358	896,692
All other assets	201,364	27,952	-	480,379	709,695
Total assets	11,481,234	1,116,989	163,816	1,776,773	14,538,811
Liabilities					
Deposits by banks	1,001,051	-	-	-	1,001,051
Customer accounts	6,896,488	1,905	-	-	6,898,393
Derivative financial instruments	657,832	13,243	-	1,162,061	1,833,136
Debt securities in issue	7,212	-	-	-	7,212
All other liabilities	1,198,034	25,594	57	50,030	1,273,715
Equity	-	-	-	3,525,304	3,525,304
Total liabilities and equity	9,760,617	40,741	57	4,737,395	14,538,811
2009 net liquidity surplus / (shortfall)	1,720,617	1,076,248	163,759	(2,960,621)	-

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Liquidity risk (continued)

2008	1 year and less €000	>1 year and 5 years €000	Greater than 5 years €000	No fixed maturity	Carrying amount €000
Assets					
Cash and balances at central banks	152,233	-	-		152,233
Loans and advances to banks	7,812,566	530,859	-		8,343,425
Loans and advances to customers	1,052,020	349,053	46,663		1,447,736
Debt Securities	213,853	202,865	56,937		473,655
Derivative financial instruments	1,765,250	-	-		1,765,250
Trading assets	-	9,723	12,149		21,872
All other assets	378,521	-	17,444	304,786	700,751
Total assets	11,374,443	1,092,500	133,193	304,786	12,904,922
Liabilities					
Deposits by banks	2,750,522	1,361	-		2,751,883
Customer accounts	4,456,351	157	-		4,456,508
Derivative financial instruments	595,590	619,032	520,278		1,734,900
Debt securities in issue	6,827	6,537	-		13,364
All other liabilities	1,440,832	-	-		1,440,832
Equity	-	-	-	2,507,435	2,507,435
Total liabilities and equity	9,250,122	627,087	520,278	2,507,435	12,904,922
2008 net liquidity surplus / (shortfall)	2,124,321	465,413	(387,085)	(2,202,649)	-

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Liquidity risk (continued)

The table below analyses the Company's liabilities into relevant maturity groupings based on the remaining contractual undiscounted cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the liquidity risk based on the discounted contractual maturity as disclosed in the previous table.

2009	1 year and less €000	>1 year and < 5 years €000	Greater than 5 years €000	No fixed maturity €000	Total €000
Liabilities					
Deposits by banks	998,531	-	-	-	998,531
Customer accounts	6,897,005	1,923	-	-	6,898,928
Derivative financial instruments	655,262	13,191	-	1,157,521	1,825,974
Debt securities in issue	7,212	-	-	-	7,212
All other liabilities	1,169,345	25,052	37	11,117	1,205,550
Equity	-	-	-	3,525,303	3,525,303
Total undiscounted financial liabilities	9,727,355	40,166	37	4,693,941	14,461,498

2008	1 year and less €000	>1 year and < 5 years €000	Greater than 5 years €000	No fixed maturity €000	Total €000
Liabilities					
Deposits by banks	2,827,524	1,389	-	-	2,828,913
Customer accounts	4,494,474	182	-	-	4,494,656
Derivative financial instruments	595,590	619,032	520,278	-	1,734,900
Debt securities in issue	7,214	7,442	-	-	14,656
All other liabilities	1,482,442	-	-	-	1,482,442
Equity	-	-	-	2,507,435	2,507,435
Total undiscounted financial liabilities	9,407,244	628,045	520,278	2,507,435	13,063,002

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. 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 balance sheet date to the contractual maturity date.

	1 year and less €000	>1 year and 5 years €000	Greater than 5 years €000	No fixed maturity	Carrying amount €000
2009					
Other undrawn commitments to lend	473,858	387,042	93,735	-	954,635
Letters of credit	2,138,683	8,735,817	-	-	10,874,500
Other commitments and guarantees	382,568	316,564	2,532	-	701,664
Total commitments and guarantees	<u>2,995,109</u>	<u>9,439,423</u>	<u>96,267</u>	-	<u>12,530,799</u>
2008					
Total commitments and guarantees	<u>1,974,097</u>	<u>458,126</u>	<u>7,875,185</u>	-	<u>10,307,408</u>

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;
- derivatives;
- securities transactions;
- settlement; and
- when Citigroup 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 authorized-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

27. 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.

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.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Credit risk (continued)

Exposure to credit risk - Loans and Advances to third parties

2009	Charge and credit card debtors €000	Commercial loans €000	Consumer loans €000	Total €000
Gross Amount	403,268	3,220,804	404,298	4,028,370
<i>Individually assessed</i>				
Current	-	17,650	-	17,650
1 - 119 days past due	-	85,503	-	85,503
120 - 179 days past due	-	250	-	250
180 days or more past due	-	26,390	-	26,390
Gross Amount	-	129,793	-	129,793
Impairment loss on individually assessed loans	-	(41,305)	-	(41,305)
Carrying amount of individually assessed loans	-	88,488	-	88,488
<i>Collectively assessed</i>				
Current	390,440	3,079,101	337,267	3,806,808
90 - 119 days past due	5,751	4,168	5,847	15,766
120 - 180 days past due	7,077	5,797	61,184	74,058
Over 180 days	-	1,945	-	1,945
Gross Amount	403,268	3,091,011	404,298	3,898,577
Impairment loss on collectively assessed loans	(54,797)	(36,596)	(87,795)	(179,188)
Carrying amount of collectively assessed loans	348,471	3,054,415	316,503	3,719,389
Total impairment provision	(54,797)	(77,901)	(87,795)	(220,493)
Total carrying amount	348,471	3,142,903	316,503	3,807,877
Impairment on undrawn commitments	-	(5,450)	-	(5,450)

The total carrying amount in this table includes third party loans and advances to banks and loans and advances to customers as per note 15.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Credit risk (continued)

Exposure to credit risk - Loans and Advances to third parties

2008	Charge and credit card debtors €000	Commercial loans €000	Consumer loans €000	Total €000
Gross Amount	212,842	1,672,660	62,219	1,947,721
<i>Individually assessed</i>				
Current	-	36,857	-	36,857
1 - 119 days past due	-	-	-	-
120 - 179 days past due	-	39,564	-	39,564
180 days or more past due	-	-	-	-
Gross Amount	-	76,421	-	76,421
Impairment loss on individually assessed loans	-	(42,451)	-	(42,451)
Carrying amount of individually assessed loans	-	33,970	-	33,970
<i>Collectively assessed</i>				
Current	189,483	1,589,175	59,416	1,838,074
90 - 119 days past due	20,632	5,868	2,765	29,265
120 - 180 days past due	2,727	4	1	2,732
Over 180 days	-	1,192	37	1,229
Gross Amount	212,842	1,596,239	62,219	1,871,300
Impairment loss on collectively assessed loans	(8,205)	(11,576)	(1,538)	(21,319)
Carrying amount of collectively assessed loans	204,637	1,584,663	60,681	1,849,981
Total impairment provision	(8,205)	(54,027)	(1,538)	(63,770)
Total carrying amount	204,637	1,618,633	60,681	1,883,951
Impairment on undrawn commitments	-	(5,922)	-	(5,922)

The total carrying amount in this table includes third party loans and advances to banks and loans and advances to customers as per note 15.

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. Financial instruments and risk management (continued)

Credit risk (continued)

Movement in provisions for impairment balances

	Charge and credit card debtors €000	Commercial loans €000	Consumer loans €000	Total €000
Balance at 1 January 2008	(3,370)	(10,495)	(451)	(14,316)
Provisions taken in 2008	(8,205)	(45,633)	(1,538)	(55,376)
Balance at 31 December 2008	(11,575)	(56,128)	(1,989)	(69,692)
Provisions from business combination	(5,756)	(75,508)	(12,361)	(93,625)
Provisions taken in year	(19,678)	(31,759)	(11,189)	(62,626)
Balance at 31 December 2009	(37,009)	(163,395)	(25,539)	(225,943)

Net Credit losses charged to the current year income statement

	2009 Total €000	2008 Total €000
Current year impairment charges	(62,626)	(55,217)
Net credit write-offs/recoveries	(86,189)	(12,615)
	<u>(148,815)</u>	<u>(67,832)</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

27. 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:

	2009	2008
	€000	€000
Gross exposure		
- commitments and guarantees	12,530,799	10,307,407
- Balance sheet exposures	14,044,265	12,321,605
Total exposure	<u>26,575,065</u>	<u>22,629,012</u>

Balance sheet exposures relate include cash and cash balance at central banks, loans and advances, investment securities, derivative financial assets and other assets.

Cash and OECD Government bonds are held as collateral against the commitments and guarantees.

The Company's Balance sheet credit risk concentrations by industry are as follows:

	2009	2008
	€000	€000
Financial services	9,303,218	10,281,693
Chemicals	206,114	75,735
Engineering / Electronics	505,009	337,925
Food & Drinks industry	138,004	108,791
Transport	59,501	77,650
Construction	72,428	23,061
Oil & Gas	58,750	50,942
Other	1,502,887	492,622
Consumer	709,746	204,493
Agriculture	211,370	37,960
Local government	-	167
Governments & Central banks.	1,277,238	630,566
	<u>14,044,265</u>	<u>12,321,605</u>

Included in credit risk exposures are cash & 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

27. Financial instruments and risk management (continued)

Credit risk (continued)

The table below shows credit concentrations by region.

	2009	2008
	€000	€000
Western Europe	7,292,221	8,353,089
Central Europe	5,745,655	1,992,259
Middle East / Africa	301,576	269,578
North America	290,599	1,064,830
Other	414,214	619,977
	<u>14,044,265</u>	<u>12,299,733</u>

Capital management

The Company has complied with all regulatory capital requirements throughout the period.

28. Operating Leases commitments

	2009	2008
	€000	€000
Expiring:		
- within one year	33	-
- between one and five years	34,832	11,410
- in five years or more	22,234	-
	<u>57,099</u>	<u>11,410</u>

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

29. 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. 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 10.

At 31 December 2009 there were no outstanding exposures to directors other than directors' interests in common stock and options as disclosed in the Report of the Directors (2008 €0.6 million).

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.

	2009			
	Parent undertaking (CHIL) €000	Subsidiary undertakings €000	Other Citigroup undertakings €000	Total €000
Assets				
Loans and advances to banks	-	-	6,951,832	6,951,832
Loans and advances to customers	-	-	21,265	21,265
Prepayments and accrued income	-	-	37,708	37,708
Other assets	-	-	1,603,780	1,603,780
Liabilities				
Deposits by banks	-	-	(310,280)	(310,280)
Customer accounts	-	307	(27,146)	(26,839)
Accruals and deferred income	-	-	(12,462)	(12,462)
Other liabilities	-	-	(1,796,603)	(1,796,603)
Commitments and guarantees	-	-	(89,656)	(89,656)
Income statement				
Interest and similar income	-	(165)	97,946	97,781
Interest payable	-	-	(10,343)	(10,343)
Net fee and commission income	-	(1)	225,521	225,520
Other Operating Income	-	-	(9,266)	(9,266)
Net Trading Income	-	-	(48,550)	(48,550)
Other expenses	-	(6)	(63,881)	(63,887)

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

29. Related party transactions (continued)

	2008			
	Parent undertaking (CHIL) €000	Subsidiary undertakings €000	Other Citigroup undertakings €000	Total €000
Assets				
Loans and advances to banks	-	-	7,908,517	7,908,517
Loans and advances to customers	-	-	86,986	86,986
Prepayments and accrued income	-	-	99,025	99,025
Other assets	-	-	1,234,931	1,234,931
Liabilities				
Deposits by banks	-	-	(2,353,857)	(2,353,857)
Customer accounts	-	-	(13,506)	(13,506)
Accruals and deferred income	-	-	(22,156)	(22,156)
Other liabilities	-	-	(1,824,011)	(1,824,011)
Commitments and guarantees	-	-	(378,110)	(378,110)
Income statement				
Interest and similar income	-	-	240,118	240,118
Interest payable	-	-	(45,936)	(45,936)
Net fee and commission income	-	-	223,127	223,127
Other Operating Income	-	-	(1)	(1)
Net Trading Income	-	-	(32,333)	(32,333)
Other expenses	-	(1,212)	(114,986)	(116,198)

CITIBANK EUROPE PLC

NOTES TO THE FINANCIAL STATEMENTS

30. Reserves

Capital contributions arise from contributions from the Company's intermediate parent undertaking, Citibank Overseas Investment Corporation, of which €279,538,000 forms part of the Company's distributable reserves. Share capital and share premium increased during the year due to the opening of the branches in Hungary, Romania & Slovakia.

	Share capital €000	Share premium €000	Capital reserve €000	Share based payments €000	Translation reserves €000	AFS bond reserve €000	Retained earnings €000	Total €000
At 1 January 2008	6,552	3,076	279,538	1,282	-	-	1,137,424	1,427,872
Profit for the period	-	-	-	-	-	-	472,112	472,112
Share capital issuance	908	598,871	-	-	-	-	-	599,779
Available for sale reserve	-	-	-	-	-	3,300	-	3,300
Share based payments	-	-	-	4,372	-	-	-	4,372
At 31 December 2008	<u>7,460</u>	<u>601,947</u>	<u>279,538</u>	<u>5,654</u>	<u>-</u>	<u>3,300</u>	<u>1,609,536</u>	<u>2,507,435</u>
Profit for the period	-	-	-	-	-	-	516,322	516,322
Share capital issuance	1,858	509,537	-	-	-	-	-	511,395
Available for sale reserve	-	-	-	-	-	(1,769)	-	(1,769)
Share based payments	-	-	-	1,239	-	-	-	1,239
Translation reserve	-	-	-	-	(9,318)	-	-	(9,318)
At 31 December 2009	<u>9,318</u>	<u>1,111,484</u>	<u>279,538</u>	<u>6,893</u>	<u>(9,318)</u>	<u>1,531</u>	<u>2,125,858</u>	<u>3,525,304</u>

31. Parent companies

The Company is a subsidiary undertaking of Citigroup Inc., which is incorporated in the United States of America under the laws of the State of Delaware.

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.

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

32. Subsequent events

There have been no significant subsequent events.

33. Approval of financial statements

The financial statements of the Company were approved by the Board of Directors on 25 March 2010.