

**CITIBANK EUROPE PLC**

**(Registered Number: 132781)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

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## **BOARD OF DIRECTORS AND OTHER INFORMATION**

### **DIRECTORS**

Francesco Vanni d'Archirafi – Chairman  
Zdenek Turek – Chief Executive Officer  
Aidan Brady – (resigned 29<sup>th</sup> January 2016)  
Breffni Byrne – Independent Non-Executive  
Jim Farrell – Independent Non-Executive  
Bo J. Hammerich – Non-Executive  
Deepak Jain – Non-Executive  
Mary Lambkin – Independent Non-Executive  
Marc Luet – Non-Executive  
Rajesh Mehta – Non-Executive  
Cecilia Ronan – Executive  
Patrick Scally – Non-Executive  
Christopher Teano – Non-Executive  
Tony Woods – Executive

### **COMPANY SECRETARY**

Deirdre Pepper

### **REGISTERED OFFICE**

1 North Wall Quay, Dublin 1

### **SOLICITORS**

Arthur Cox Solicitors  
Earlsfort Centre, Earlsfort Terrace, Dublin 2

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

Matheson  
70 Sir John Rogersons Quay, Dublin 2

### **AUDITOR**

KPMG  
Chartered Accountants  
1 Harbourmaster Place, IFSC, Dublin 1

### **BANKERS**

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

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of Citibank Europe plc (“the Company”) for the year ended 31 December 2015. The Company’s ultimate parent is Citigroup Inc.

### Principal Activities

The Company is headquartered in Dublin and for the year under review had Branches in the Czech Republic, Hungary, Romania, Slovakia, Bulgaria and Poland. As indicated on page 6, the Company merged with Citibank International Limited on 1 January 2016.

The Company, which holds 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 principal activity of the Company is the provision of Transaction and Trade Services to its Financial Services and Corporate client base.

The Company also provides consumer banking facilities, however as part of a global initiative in October 2014 the Board of Citigroup announced its intention to exit from the Consumer business in 11 markets. This has impacted two Branches’ of the Company’s offices in Czech Republic and Hungary. These businesses are now classified separately as discontinued operations within the body of the financial statements.

The Company’s strategy is aligned with Citigroup Inc’s overall franchise goals of executing against four principles: common purpose, responsible finance, ingenuity and leadership. The Company has put a special focus on research and development through its Citibank Innovation Lab.

### Business Review and Results

The Company had a profitable performance in 2015 reporting profit after tax of US\$624 million (2014: US\$744 million, the prior year being restated to reflect the Company’s election to amend the accounting of mergers and acquisitions under common control, see Note 1 for further details). This was despite the business environment in which the Company operates continues to be challenging during 2015. Low interest rates in the markets in which the Company does business and the strengthening US Dollar impacted interest rate margins and revenues while ongoing macroeconomic uncertainty throughout the year impacted corporate confidence and client activity.

The principal sources of revenue (interest income, fees and commissions) declined relative to the previous year (operating income 2015: US\$1,315 million; 2014: US\$1,493 million).

Operating expenses excluding the cost of credit are US\$575 million (2014: US\$633 million) decreased from the previous year due in part to management’s ongoing focus on the Company’s cost base and also due to the strengthening US Dollar impacting the Company’s EUR expense base. The Company’s operating efficiency, net of impairment expense, was 42% (2014: 49%).

The Company’s total assets increased year on year to US\$26.6 billion (2014: US\$ 25.5 billion).

The business and economic conditions are expected to remain challenging and uncertain through 2016. The Directors continue to monitor these conditions and the financial impact they may have on the Company.

The Company’s key financial indicators during the year were as follows:

	2015	2014	Movement
	\$ 000	\$ 000	%
Profit before Income Tax	720,424	877,880	(18)
Profit after Income Tax	623,591	743,908	(16)
Shareholders’ Funds	8,149,634	7,543,762	8
Leverage Ratio	17.56%	15.73%	12

The Directors do not recommend the payment of a final dividend (2014: \$nil) at this time.

# **CITIBANK EUROPE PLC**

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

The Company has regulatory capital resources of US\$7.6 billion (2014: US\$6.8 billion) which are entirely made up of Tier One equity. The capital ratio at 31 December 2015 was 32% (2014: 29%) which exceeds the minimum requirement. Further information on the Company's capital requirements and risk management is available in the Pillar 3 disclosure document (<http://citigroup.com/citi/investor/reg.htm>).

### **Corporate Governance**

#### **Audit Committee**

The Audit Committee is a sub-committee of the Board of Directors. Its role is to oversee the adequacy of the internal control environment established by management in relation to the Company's businesses. The Audit Committee also assist the Board of Directors in fulfilling its oversight responsibility relating to the integrity of Company's financial statements, financial reporting process and systems of internal accounting and financial controls. The Audit Committee draws on the work of Citigroup's Internal Audit and the Company's senior management.

#### **Risk Committee**

The Risk Committee is a sub-committee of the Board of Directors. Its role is to advise the Board on the Company's overall current and future risk appetite, taking account of the overall risk appetite of the Company and the current and future financial position of the Company. The Risk Committee also reviews amendments to group risk policies applicable to Company and is responsible for implementing and calculating stress and concentration risk, economic capital and business risk along with adopting any regulatory developments from a risk perspective. The Risk Committee draws on the work of the Risk Department and the Company's senior management.

#### **Related Party Lending Committee**

The Related Party Committee is responsible for assisting the Company in the discharge of its obligations under the Code of Practise in Lending to Related Partied 2013 (Code) issued by the Central Bank of Ireland.

#### **Remuneration Committee**

The Remuneration Committee is a sub-committee of the Board of Directors. It is responsible for assisting the Board on decisions regarding remuneration, including those which have implications for risk and risk management of the Company.

#### **Assets and Liabilities Committee**

The Assets and Liabilities Committee is responsible for the monitoring and managing of the balance sheet, including capital, funding, liquidity and the market risk of the non-trading portfolios. In this regard, the Committee functions as a forum for senior management to ensure adherence to Group-wide policies and procedures, regulatory requirements, rating agency commitments and as necessary to recommend and implement appropriate funding plans.

#### **Nomination Committee**

The Nomination Committee is a sub-committee of the Board and is authorised by it to obtain any external legal or other professional advice it may require in order to carry out its duties, which included proposed strategic transactions such as mergers and acquisitions.

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

The Company is designated as a High Impact credit institution per the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013 (Code). As such, the Company is required to comply with the additional requirements for High Impact designated institutions.

# **CITIBANK EUROPE PLC**

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

### **Principal Risks and Uncertainties**

The Company is exposed to a variety of risks inherent in the financial services industry. The most significant of these risks to the Company are credit risk, market risk, operational risk and liquidity risk. A detailed description of these risks and how they are managed has been disclosed in note 14.

### **Political Donations**

During the year the Company did not make any political donations (2014: \$nil).

### **Post balance sheet events**

As part of Citigroup strategy of legal entity simplification and in order to serve its customers more efficiently, the merger took place of two of its EU passported banking entities, Citibank Europe plc and Citibank International Limited, with Citibank Europe plc remaining as the surviving entity.

The merger was executed on 1 January 2016 under the EU Cross Border Merger Directive. The transaction involved the transfer of \$31.5bn assets and of \$27.6bn liabilities, recorded at book value.

The Company's Consumer business in the Czech Republic was sold in Q1 2016, as part of Citigroup's strategy to exit this business in 11 markets. The Company also sold its Alternative Investment's business in Ireland in Q1 2016.

### **Directors, secretary and their interests**

The names of the Directors and Secretary who held office during 2015 were as follows:

Francesco Vanni d'Archirafi  
Zdenek Turek  
Aidan Brady (resigned 29th January 2016)  
Breffni Byrne  
Jim Farrell  
Bo J. Hammerich  
Deepak Jain  
Mary Lambkin  
Marc Luet  
Rajesh Mehta  
Cecilia Ronan  
Patrick Scally  
Christopher Teano  
Tony Woods  
Deirdre Pepper (Secretary)

Neither the Directors, nor the Company Secretary, have any beneficial interest in the share capital of the Company. Neither the Directors nor the Company Secretary had an interest in more than 1% of the nominal value of the ultimate holding Company's issued share capital.

### **Accounting records**

The Directors believe that they have complied with the requirement of Section 281 to 285 of the Companies Act, 2014 with regard to adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The adequate accounting records of the Company are maintained at 1 North Wall Quay, Dublin 1.

# CITIBANK EUROPE PLC

## REPORT OF THE DIRECTORS (continued)

### Auditors

In accordance with Section 383(2) of the Companies Act 2014, the auditors, KPMG, Chartered Accountants, will continue in office.

### Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.


Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing 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 IFRS as adopted by the EU; 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 adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the board:

24 March 2016

  
Zdenek Turek  
Director

  
Jim Farrell  
Director

  
Mary Lambkin  
Director

  
Deirdre Pepper  
Secretary

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIBANK EUROPE PLC**

We have audited the financial statements of Citibank Europe Plc ("the Company") for the year ended 31 December 2015 which comprise 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. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

### **Opinions and conclusions arising from our audit**

#### ***1 Our opinion on the financial statements is unmodified***

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### ***2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below***

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and information and returns adequate for our audit have been received from branches of the Company not visited by us. The financial statements are in agreement with the accounting records.

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

#### ***3 We have nothing to report in respect of matters on which we are required to report by exception***

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIBANK EUROPE PLC**

### **Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. 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.

24 March 2016



*Jonathan Lew*

**for and on behalf of  
KPMG**

**Chartered Accountants, Statutory Audit Firm**

*1 Harbourmaster Place*

*IFSC*

*Dublin 1*

# CITIBANK EUROPE PLC

## INCOME STATEMENT

For the years ended 31 December 2015 and 31 December 2014

	Note	2015 \$ 000	2014* \$ 000
Interest income		278,108	352,598
Interest expense		(36,254)	(72,556)
<b>Net interest income</b>	<b>3</b>	<u>241,854</u>	<u>280,042</u>
Net fee and commission income	<b>4</b>	916,446	982,037
Net trading income	<b>5</b>	139,813	216,863
Other operating income	<b>6</b>	16,609	13,510
Dividend income		76	140
<b>Operating income</b>		1,314,798	1,492,592
Net credit (losses)/recoveries	<b>14</b>	(19,430)	18,193
Personnel expenses	<b>7</b>	(229,508)	(231,034)
Other expenses	<b>8</b>	(345,436)	(401,871)
<b>Profit before income tax</b>		<u>720,424</u>	<u>877,880</u>
Income tax expense	<b>11</b>	(97,935)	(124,418)
<b>Profit for the year from continuing operation</b>		<u>622,489</u>	<u>753,462</u>
<b>Profit/(loss) from discontinued operations, net of tax</b>	<b>23</b>	<u>1,102</u>	<u>(9,554)</u>
<b>Profit for the year</b>		<u>623,591</u>	<u>743,908</u>


\* The accounting policy with respect to common control business combinations has been amended voluntarily; this has resulted in a restatement to goodwill in the Company's prior period results. (See Note 1 (e)). In addition, certain captions in the 2014 results have been updated to reflect the Company's discontinued operations.

The financial statements were approved by the Board of Directors on 24 March 2016 and signed on their behalf by:

  
Zdenek Turek  
Director

  
Jim Farrell  
Director

  
Mary Lambkin  
Director

  
Deirdre Pepper  
Secretary

# CITIBANK EUROPE PLC

## STATEMENT OF OTHER COMPREHENSIVE INCOME For the years ended 31 December 2015 and 31 December 2014

	Note	2015 \$ 000	2014* \$ 000
Profit for the year	33	<u>623,591</u>	<u>743,908</u>
<b>Other comprehensive income, net of income tax</b>			
Items that may be reclassified to profit or loss			
Foreign currency translation	33	(30,208)	(61,398)
Available-for-sale financial assets	33	15,509	2,513
Related tax		(3,376)	(279)
Other comprehensive income for the year, net of tax		(18,075)	(59,164)
<b>Total comprehensive income for the year</b>		<u><u>605,516</u></u>	<u><u>684,744</u></u>

\* The accounting policy with respect to common control business combinations has been amended voluntarily; this has resulted in a restatement to goodwill in the Company's prior period results. (See Note 1 (e)). In addition, certain captions in the 2014 results have been updated to reflect the Company's discontinued operations.

The financial statements were approved by the Board of Directors on 24 March 2016 and signed on their behalf by:

 Zdenek Turek Director	 Jim Farrell Director	 Mary Lambkin Director	 Deirdre Pepper Secretary
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# CITIBANK EUROPE PLC

## STATEMENT OF FINANCIAL POSITION As at 31 December 2015

	Note	31 December 2015 \$ 000	31 December 2014* \$ 000	1 January 2014* \$ 000
<b>Assets</b>				
Cash and balances at central bank	12	4,811,631	5,200,092	4,599,557
Trading assets	13,15	972,537	1,262,037	1,042,734
Derivative financial instruments	15,17	118,655	274,877	1,643,708
Loans and advances to banks	15	9,226,926	5,334,377	3,968,698
Loans and advances to customers	15	8,262,356	10,766,217	10,849,577
Investment securities	16	2,216,309	1,658,553	2,393,427
Shares in subsidiary undertakings	20	1,378	3,106	3,474
Property and equipment	21	12,512	17,508	20,583
Intangible assets	22	99,464	122,032	80,364
Assets - held for sale	23	424,967	-	-
Current income tax		7,673	770	8,639
Deferred tax assets	24	2,687	7,100	8,697
Other assets	19	469,142	850,579	639,418
<b>Total assets</b>		<b>26,626,237</b>	<b>25,497,248</b>	<b>25,258,876</b>
<b>Liabilities</b>				
Deposits by banks	15	6,959,971	4,050,533	3,546,439
Customer accounts	15	7,913,639	9,036,475	9,238,777
Derivative financial instruments	15,17	118,210	318,048	1,611,139
Debt securities in issue	31	-	1,655,181	1,090,262
Accruals and deferred income		92,371	113,589	178,351
Current income tax		3,195	14,344	5,957
Liabilities - held for sale	23	1,257,791	-	-
Other liabilities	18	2,113,213	2,742,691	2,704,274
Provisions	27	18,213	22,625	24,725
<b>Total liabilities</b>		<b>18,476,603</b>	<b>17,953,486</b>	<b>18,399,924</b>
<b>Equity shareholders' funds</b>				
Share capital	25,33	10,071	10,071	10,071
Share premium account	33	1,593,607	1,593,607	1,593,607
Capital reserves	33	824,123	824,123	824,123
Other reserves (net)	33	(41,418)	(23,699)	35,399
Retained earnings	33	5,763,251	5,139,660	4,395,752
Total equity attributable to equity shareholders		8,149,634	7,543,762	6,858,952
<b>Total liabilities and equity shareholders' funds</b>		<b>26,626,237</b>	<b>25,497,248</b>	<b>25,258,876</b>

\* The accounting policy with respect to common control business combinations has been amended voluntarily; this has resulted in a restatement to goodwill in the Company's prior period results (See Note 1 (e)).

The financial statements were approved by the Board of Directors on 24 March 2015 and signed on their behalf by:

 Zdenek Turek Director	 Jim Farrell Director	 Mary Lambkin Director	 Deirdre Hepper Secretary
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# CITIBANK EUROPE PLC

## STATEMENT OF CHANGES IN EQUITY For the years ended 31 December 2015

		Share Capital \$ 000	Share Premium \$ 000	Capital Reserve \$ 000	Other Reserves \$ 000	Retained Earnings \$ 000	Total \$ 000
<b>Balance at 1 January 2015</b>	Note	10,071	1,593,607	824,123	(23,699)	5,139,660	7,543,762
<b>Total comprehensive income for the year</b>							
Profit for the year	33	-	-	-	-	623,591	623,591
Net gain on available-for-sale financial assets	33	-	-	-	12,133	-	12,133
Exchange diff. on translation of foreign operations	33	-	-	-	(30,208)	-	(30,208)
<b>Total comprehensive income for the year</b>		-	-	-	(18,075)	623,591	605,516
<b>Transactions with owners, recorded directly in equity</b>							
Share-based payment transactions	33	-	-	-	357	-	357
Total contributions by and distributions to owners		-	-	-	357	-	357
<b>Balance at 31 December 2015</b>		<u>10,071</u>	<u>1,593,607</u>	<u>824,123</u>	<u>(41,418)</u>	<u>5,763,251</u>	<u>8,149,634</u>
		Share Capital \$ 000	Share Premium \$ 000	Capital Reserve \$ 000	Other Reserves \$ 000	Retained Earnings \$ 000	Total \$ 000
<b>Balance at 1 January 2014*</b>	Note	10,071	1,593,607	824,123	35,399	4,395,752	6,858,952
<b>Total comprehensive income for the year</b>							
Profit for the year	33	-	-	-	-	743,908	743,908
Net gain on available-for-sale financial assets	33	-	-	-	2,234	-	2,234
Exchange differences on translation of foreign operations	33	-	-	-	(61,398)	-	(61,398)
<b>Total comprehensive income for the year</b>		-	-	-	(59,164)	743,908	684,744
<b>Transactions with owners, recorded directly in equity</b>							
Share based payments	33	-	-	-	66	-	66
Total contributions by and distributions to owners		-	-	-	66	-	66
<b>Balance at 31 December 2014*</b>		<u>10,071</u>	<u>1,593,607</u>	<u>824,123</u>	<u>(23,699)</u>	<u>5,139,660</u>	<u>7,543,762</u>

\* The accounting policy with respect to common control business combinations has been amended voluntarily; this has resulted in a restatement to goodwill in the Company's prior period results (See Note 1 (e)).

# CITIBANK EUROPE PLC

## STATEMENT OF CASH FLOWS For the years ended 31 December 2015

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit before tax		720,424	858,333
<i>Adjustments for:</i>			
Depreciation of property and equipment	21	4,062	6,643
Amortisation of intangibles	22	29,882	20,834
Net impairment recoveries/(losses) on loans and advances	14	19,430	(21,400)
Provision released during the year	27	(1,810)	(429)
Finance income	3	(278,108)	(444,197)
Finance costs	3	36,254	76,277
Change in trading assets	13	289,500	(219,303)
Change in derivative financial instrument assets	17	156,222	1,368,831
Change in loans and advances to banks (greater than 3 months)		(6,363,163)	717,420
Change in loans and advances to customers	15	2,078,097	83,360
Change in prepayments and accrued income		(4,602)	12,920
Change in other assets	19	365,074	(224,081)
Change in deposits from banks	15	2,909,438	504,094
Change in customer account balances	15	116,250	(202,302)
Change in derivative financial instrument liabilities	17	(199,838)	(1,293,091)
Change in investment securities	16	79,785	324,838
Change in debt securities in issue	31	(1,655,181)	564,919
Change in accruals and deferred income		(21,218)	(64,762)
Change in other liabilities	18	(613,980)	38,417
Provision utilized and other movements during the year	27	(380)	(1,671)
		<u>(2,333,862)</u>	<u>2,105,651</u>
Interest received	3	278,108	444,197
Interest paid	3	(36,254)	(76,277)
Income tax paid	11	(75,990)	(74,549)
Effect of exchange translations and other adjustments		(33,311)	(69,122)
<b>Net cash from operating activities</b>		<u>(2,201,309)</u>	<u>2,329,900</u>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(3,076,380)	(18,409,657)
Disposal of investment securities		2,438,840	18,819,693
Acquisition of property and equipment	21	(3,308)	(7,300)
Proceeds from disposal of property and equipment	21	1,068	704
Acquisition of intangible assets	22	(18,579)	(70,105)
Proceeds from disposal of intangible assets	22	1,174	(858)
Dividends received from subsidiary companies		76	140
Addition from business transfer		(656)	(283)
<b>Net cash from/(used in) investing activities</b>		<u>(657,765)</u>	<u>332,334</u>
<b>Financing activities</b>			
Dividends paid to parent		-	-
<b>Net cash (used in) financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>(2,859,074)</u>	<u>2,662,234</u>
Cash and cash equivalents at beginning of year	12	9,896,878	7,234,643
<b>Cash and cash equivalents at end of year</b>	12	<u>7,037,803</u>	<u>9,896,878</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) as adopted by the EU.

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.

#### c) Consolidation

The Company has applied the exemption under IFRS 10 *Consolidated Financial Statements* from the preparation of consolidated group accounts as the financial results of the Company and its subsidiary undertakings are included in the consolidated group accounts of Citibank Holdings Ireland Ltd. Citibank Holdings Ireland Limited is the direct part of the Company and the consolidated financial statements of Citibank Holdings Ireland Limited have been drawn up in accordance with International Financial Reporting Standards.

#### d) Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### e) Changes in accounting policy and disclosures

##### *Standards issued but not yet effective*

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

- In December 2014 the IASB published the final Standard Disclosure Initiative (Amendments to IAS 1). These amendments to IAS 1 Presentation of Financial Statements address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use judgement when applying IAS 1. The final Standard Disclosure Initiative (Amendments to IAS 1) is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. The amendments are not expected to have a significant impact on the Company's financial statements.
- Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles. The IASB's annual improvement projects for the 2010-2012 and 2011-2013 cycles resulted in minor amendments to multiple standards. The amendments are effective for annual reporting periods beginning on or after 1 February 2015, with early adoption permitted. The amendments are not expected to have a significant impact on the Company's financial statements.
- Annual Improvements to IFRS 2012-2014 Cycle. The IASB's annual improvement projects for the 2012-2014 cycle resulted in minor amendments to multiple standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the amendments.
- IFRS 9 – Financial Instruments. The new standard includes a model for classification and measurement of financial instruments, a forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective from 1 January 2018. The Company is assessing the impact IFRS 9 will have on the financial statements and has initiated a project strategy to assess the impact of the new standard on Citi's internal processes and systems. The changes to the calculation of impairment on an expected credit loss basis could result in an increase in the overall level of allowances for loans, and the creation of credit loss allowances for securities and other financial instruments.
- IFRS 15 – Revenue from Contracts with Customers. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. The standard becomes effective for annual periods beginning on or after 1 January 2018, subject to EU adoption.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### e) Changes in accounting policy and disclosures (continued)

##### *Amendment to accounting policy*

##### *Mergers under Common Control*

During 2015 the Company voluntarily amended its accounting policy in respect of the treatment of business combinations between entities under common control. Previously such transactions were accounted for in line with IFRS 3 Business Combinations, whereby the excess of the fair value of the consideration paid over the fair value of the net assets acquired was recorded as goodwill. The amended accounting policy for common control transactions is to account for the assets acquired and liabilities assumed at their book value.

A combination between entities under common control results in no overall change in the ultimate parent financial information and solely involves the movement of one part of the group to another. Consequently, as the acquired businesses are retained within the same group, it is the view of the Directors that the revised accounting policy provides more relevant information to users of the financial statements. In addition, the revised accounting policy aligns with the overall Citigroup accounting policy in respect of business combinations between entities under common control.

The table below reflects the impact on the Company's financial statements of the change in accounting policy. The impact of the restatement is to remove the remaining goodwill from the balance sheet and prior period impairment charges to retained earnings. This change in accounting policy has been applied retrospectively and in accordance with IAS 1 Presentation of Financial Statements a restatement of financial position as at 1 January 2014 has been presented.

Restated Extracts	Originally Presented Balance Sheet		Change		Restated Balance Sheet	
	31 December 2014	31 December 2013	2014	2013	31 December 2014	1 January 2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
<b>Assets</b>						
Goodwill and intangible assets	242,519	334,371	(120,487)	(254,007)	122,032	80,364
<b>Equity shareholders' funds</b>						
Share capital	10,071	10,071	-	-	10,071	10,071
Share premium	1,593,607	1,593,607	-	-	1,593,607	1,593,607
Capital reserves	1,239,171	1,239,171	(415,048)	(415,048)	824,123	824,123
Other reserves (net)	(88,775)	3,197	65,076	32,202	(23,699)	35,399
Retained earnings	4,910,175	4,266,913	229,485	128,839	5,139,660	4,395,752
	Originally Presented Income Statement		Change		Restated Income Statement	
	31 December 2014	31 December 2013	2014	2013	31 December 2014	31 December 2013
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Impairment on goodwill	(100,646)	-	100,646	-	-	-
<b>Profit for the year</b>	643,262	714,516			743,908	714,516

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### f) Net interest income

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

Interest income and expense presented in the income statement include:

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

#### g) Net fee and commission income

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

Other fees and commission income, including transaction processing fees, account servicing fees, transaction processing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. These fees are recorded in fee income as they are earned. To the extent that upfront fees are capitalised but subsequently there is a partial sell down of the related asset, the fees are released to the income statement in proportion to the amount of the loan sold down.

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

#### h) Net trading income

Net trading income on items at fair value through profit or 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 fair value changes, together with related interest, dividends and foreign exchange differences.

#### i) Dividend income

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

#### j) Financial assets and liabilities

##### *Recognition*

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

##### *Trading assets*

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

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

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

##### *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 Cash, 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, net of transaction costs and subsequently measured at amortised cost using the effective interest rate method, less any impairment charges. Where substantially all the risk and rewards relating to amounts receivable under loan agreements are transferred to another party, neither the amounts receivable under the loans nor the amounts payable to the other party are recognised in the financial statements as assets and liabilities and only the excess of interest received over interest paid is dealt with in the income statement.

##### *Financial instruments designated at fair value*

The Company may designate financial instruments at fair value through profit and loss when:

- this will eliminate or significantly reduce measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases;
- groups of financial assets, financial liabilities or combinations thereof are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about groups of financial instruments is reported to management on that basis; or
- financial instruments containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

##### *Derivative contracts*

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

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

##### *Investment securities*

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

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

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

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

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

##### *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.

##### *Offsetting*

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

##### *Fair Value Measurement*

"Fair Value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument.

The value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change occurred.

#### k) Impairment of financial assets

##### *Impairment of loans and advances*

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

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

- 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 loans and advances 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 loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment. Loans and advances 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.

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 offset against the loan balance and the amount of the loss is included in the income statement.

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

#### *Write-off of loans and advances*

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Subsequent recoveries of amounts previously written off are recorded against net credit losses in the income statement.

#### *Reversals of impairment*

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.

#### *Impairment of available-for-sale financial assets*

Available-for-sale financial assets are assessed at each balance sheet date for objective evidence of impairment. If such evidence exists as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event has an impact, which can be reliably measured, on the estimated future cash flows of the financial asset an impairment loss is recognised.

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

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

The impairment methodologies for available-for-sale financial assets are set out as follows:

- Available-for-sale debt securities. In assessing objective evidence of impairment at the reporting date, the Company considers all available evidence, including observable data or information about events specifically relating to the securities which may result in a shortfall in the recovery of future cash flows. Financial difficulties of the issuer, as well as other factors such as information about the issuers' liquidity, business and financial risk exposures, levels of and trends in default for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees may be considered individually, or in combination, to determine if there is objective evidence of impairment.
- Available-for-sale equity securities. Objective evidence of impairment may include specific information about the issuer as detailed above, but may also include information about significant changes in technology, markets, economics or the law that provides evidence that the cost of the equity securities may not be recovered.

A significant or prolonged decline in the fair value of the equity below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition.

Once an impairment loss has been recognised, the subsequent accounting treatment for changes in the fair value of that asset depends on the type of asset:

- for an available-for-sale debt security, a subsequent decline in the fair value of the instrument is recognised in the income statement when there is objective evidence of impairment as a result of further decreases in the estimated future cash flows of the financial asset. Where there is no further objective evidence of impairment, the decline in the fair value of the financial asset is recognised in other comprehensive income. If the fair value of a debt security increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, or the instrument is no longer impaired, the impairment loss is reversed through the income statement;
- for an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income. Impairment losses recognised on the equity security are not reversed through the income statement. Subsequent decreases in the fair value of the available-for-sale equity security are recognised in the income statement, to the extent that further cumulative impairment losses have been incurred.

#### l) 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.

#### m) Property and equipment

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

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### n) Intangible assets

##### *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 ten years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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

At each reporting date, the Company assesses whether there is any indication that its goodwill and intangible assets or property and equipment are impaired. These non-financial assets are tested for impairment annually or more frequently if events or changes in circumstance indicate that they 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.

#### p) Income taxes

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

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

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.

#### q) Levies

Levies are imposed by governments' to the Company in accordance with the legislation, other than income taxes, fines or other penalties that are imposed for breach of the legislation. The Company recognises a liability to pay a levy on the date identified by the legislation that triggers the obligation. Levies are recorded under general administrative expenses in the Company's income statement.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### r) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars using the year end spot exchange rates. Non-monetary assets and liabilities denominated in currencies other than US Dollar that are classified as “held for trading” or “designated at fair value” are translated into US Dollars using the year end spot rate. Non-monetary assets and liabilities, denominated in currencies other than US Dollars that are not measured at fair value, have been translated at the relevant historical exchange rates. Any gains or losses on exchange are taken to the profit and loss account as incurred.

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

#### s) 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.

#### t) Share based incentive plans

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

The Company uses equity-settled accounting for its share-based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup. The Company recognises the fair value of the awards at grant date as a compensation expense over the vesting period with a corresponding credit in the equity reserve as a capital contribution from Citigroup. All amounts paid to Citigroup and the associated obligation under the SPAPA is recognised in the equity reserve 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 the equity reserve, again over the vesting period.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies (continued)

#### t) Share based incentive plans (continued)

For Citigroups's share-based incentive plans that have a graded vested period each "tranche" of the award is treated as a separate award, where a plan has a cliff vest the award only has a single "tranche". The expense is recognised in the first year of deferral.

Vesting Period of Award	% of expense recognised			
	Year 1	Year 2	Year 3	Year 4
2 Years (2 Tranches)	75%	25%		
2 Years (1 Tranche)	50%	50%		
3 Years (3 Tranches)	61%	28%	11%	
3 Years (1 Tranche)	33%	33%	33%	
4 Years (4 Tranches)	52%	27%	15%	6%
4 Years (1 Tranche)	25%	25%	25%	25%

However, employees who meet certain age plus years of service requirements (retirement eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. The cost of share based incentive plans are recognised over the requisite service period. For awards granted to retiree eligible employees, the services are provided prior to grant date, and subsequently the costs are accrued in the year prior to the grant date.

#### u) Accounting for government grants

Grants are credited to the income statement to offset the matching expenditure. Grants received, which are repayable if defined conditions are not met, are credited to the income statement on a straight-line basis over that period.

#### v) 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 non-restricted and restricted balances with central banks, treasury bills and other eligible bills and loans and advances to banks.

#### w) 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.

#### x) 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".

#### y) 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

### 1. Principal accounting policies (continued)

#### z) Common control transactions

The Company accounts for business combinations between entities under common control at book value.

#### aa) Discontinued operation

A discontinued operation is a component of the Company's business that represent a separate major line of business or geographical are of operations that meet the definition of criteria to be classified as held for sale.

The results of discontinued operations have been disclosed separately as a single amount in the income statement for the relevant periods presented, comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on measurement to fair value less costs to sell. Prior period disclosures have been updated to distinguish between continuing and discontinued operations. Please refer to Note 23 'Discontinued operations' for further information.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Use of estimates and judgements

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

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

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

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

#### *Impairment of loans*

The Company's accounting policy for losses in relation to the impairment of customer loans and advances is described in Note 1(k). 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. Estimates are 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.

#### *Valuation of intangible assets*

Assumptions may be required in the valuation of certain material intangible assets and management may use 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(j). 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 and where this is not possible may be required to make estimates. Note 15 further outlines the approach to valuation of financial instruments.

#### *Share-based incentive plans*

The Company participates in a number of Citigroup Inc's share-based incentive plans. Awards granted through Citigroup Inc'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 behavior, Citigroup Inc's dividend history and historical volatility are key inputs to the valuation model. Note 26 further outlines the approach to share-based incentive plans.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Net interest income

	2015 \$ 000	2014 \$ 000
<b>Interest and similar income</b>		
Loans and advances to banks	42,584	73,759
Loans and advances to customers	200,779	212,071
Investment securities - available for sale	32,376	48,136
Other interest income	2,369	18,632
	<u>278,108</u>	<u>352,598</u>
<b>Interest expense and similar charges</b>		
Deposits by banks	17,458	23,679
Customer accounts	14,676	47,390
Other interest paid	4,120	1,487
	<u>36,254</u>	<u>72,556</u>
<b>Net interest income</b>	<u>241,854</u>	<u>280,042</u>

Included in interest income is a total of \$1.95 million (2014: \$0.9 million) received on impaired loans. Net interest income and expense, calculated using the effective interest rate method, reported above that relates to financial assets and liabilities not carried at fair value through the income statement is \$216 million (2014: \$261 million). Included in the interest income is a gain of \$14.9 million (2014: \$16.8 million gain) in relation to loans recognised at fair value through the profit or loss.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Net fee and commission income

	<b>2015</b>		
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
	<b>Consumer</b>	<b>Institutional</b>	<b>Total</b>
Fee and commission income	-	931,031	931,031
Fee and commission expense	-	(14,585)	(14,585)
<b>Net fee and commission income</b>	<b>-</b>	<b>916,446</b>	<b>916,446</b>

	<b>2014</b>		
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
	<b>Consumer</b>	<b>Institutional</b>	<b>Total</b>
Fee and commission income	3,204	994,603	997,807
Fee and commission expense	(1,706)	(14,064)	(15,770)
<b>Net fee and commission income</b>	<b>1,498</b>	<b>980,539</b>	<b>982,037</b>

Included in fee and commission income are fees earned by the Company on fiduciary activities where the Company holds assets on behalf of its customers. This fee income totalled \$54 million in 2015 (2014: \$71 million).

### 5. Net trading income

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Trading securities	54,809	166,477
Trading derivatives	94,691	53,474
Loans designated at fair value	(9,687)	(3,088)
	<b>139,813</b>	<b>216,863</b>

### 6. Other operating income

Other operating income consists mainly of intergroup income and other miscellaneous income (2015: \$16.6 million, 2014: \$13.5 million).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Personnel expenses

The average number of persons employed by the Company during the year was 3,941 (2014: 3,987).

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Employee remuneration	189,043	183,516
Share based payments	3,904	8,610
Pension costs	10,261	12,142
Social security costs	26,300	26,766
	<u>229,508</u>	<u>231,034</u>

The Company operates two defined contribution pension schemes. In 2015 contributions of \$10.2 million (2014: \$12.1 million) were made to the scheme. The assets of the scheme are held separately from those of the Company in external independently administered funds. Contributions of \$nil (2014: \$nil) were payable to these schemes at the year-end. Note 26 outlines further details in relation to share-based incentive plans.

### 8. Other expenses

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Depreciation	4,062	6,595
Amortisation	29,882	20,834
Research and development	7,034	15,604
Communications and technology	54,909	71,315
Contractors	27,686	22,287
Settlement and transaction fees	18,256	25,254
Levies and related tax charges	32,524	36,162
Marketing and business promotion	1,019	4,693
Other administrative expenses	170,064	199,127
	<u>345,436</u>	<u>401,871</u>

For presentation purposes certain comparative values have been restated to conform with the current year presentation.

### 9. Auditors' remuneration

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Audit fee	476	544
Other assurance	210	109
Tax advisory services	28	-
	<u>714</u>	<u>653</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Directors' emoluments

	2015 \$ 000	2014 \$ 000
Directors' emoluments are as follows:		
For qualifying services	3,238	4,220
For long term incentive schemes	-	-
Pension schemes		
- Defined contribution scheme	111	130
Compensation for loss of office	-	371
	<u>3,349</u>	<u>4,721</u>

Contributions to defined contribution schemes disclosed above are accruing to 2 directors (2014: 2).

### 11. Tax on profit on ordinary activities

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

	2015 \$ 000	2014 \$ 000
<b>Current tax:</b>		
Corporation tax on profits of the period	<u>(97,081)</u>	<u>(112,828)</u>
Total current tax	(97,081)	(112,828)
<b>Deferred tax:</b>		
Origination and reversal of timing differences		
Current year deferred tax	<u>(1,037)</u>	<u>(1,597)</u>
Total deferred tax (note 24)	(1,037)	(1,597)
<b>Total income tax expense</b>	<u>(98,118)</u>	<u>(114,425)</u>
- of this continuing operation	<u>(97,935)</u>	<u>(124,418)</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	2015 \$ 000	2014 \$ 000
Profit before income tax	721,708	858,333
Income tax at Irish corporation tax rate of 12.5%	(90,214)	(107,292)
Effects of:		
Income taxes paid in foreign jurisdictions	(20,773)	(32,060)
Capital allowances and other timing differences	3,345	2,557
Non deductible expenses	(4,861)	(6,038)
Double tax relief credit	14,233	29,029
Double taxation relief adjustment	817	379
Utilisation of losses brought forward	118	118
Deferred taxation	(1,037)	(1,597)
Other	254	479
	<u>(98,118)</u>	<u>(114,425)</u>

### 12. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances, maturing within three months. The Company does not include government bonds of non OECD countries as cash equivalents, even where their maturity is within three months.

	2015 \$ 000	2014 \$ 000
Cash and balances at central bank	4,811,631	5,200,092
Loans and advances to banks with maturity less than 3 months	2,226,171	4,696,785
	<u>7,037,803</u>	<u>9,896,877</u>

### 13. Trading assets

	2015 \$ 000	2014 \$ 000
Government bonds with maturity less than three months	58,555	25,342
Government bonds with maturity greater than three months	913,982	1,236,695
Total trading assets	<u>972,537</u>	<u>1,262,037</u>



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Financial instruments and risk management

#### Objectives, policies and strategies

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

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

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

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

#### Risk management

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

- Regional Chief Risk Officers with responsibility for all the risks in their geographic region across businesses;
- Product Risk Officers with responsibility for specific types of risk as determined from time-to-time by the CRO;
- Entity Chief Risk Officers with oversight for the risks impacting each within the context of the entity's regulatory environment and risk appetite; and
- A Risk Committee focused on ensuring the on-going development, enhancement and implementation of a proactive, prudent, and effective Risk Management framework and organization. The Group is responsible for executing key risk-related strategic projects and priorities; support of the CRO's interactions with the Board of Directors and Board Committees; driving the Risk budgeting and re-engineering efforts; and supervising the development of Risk Management policies, governance and practices.

In addition to changing the risk management organisation to facilitate the management of risk across these dimensions, the Citigroup risk organisation also includes the Franchise Risk Architecture group to ensure that the risk organisation has the appropriate infrastructure, processes and management reporting. This team which supports Risk Management within the Company strives to;

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

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

- Provide independent oversight in all risk management, compliance and audit standards.
- Identify and execute opportunities for process improvements.
- Choose and oversee the implementation (by Operations & Technology) of systems that (a) identify, aggregate and transparently acknowledge all business risks; and (b) facilitate and support compliance and audit processes and measurements.
- Comprehensively report and clearly communicate all risks and compliance or audit issues across the company using a common language.
- Measure and monitor risks using consistently defined and approved methodologies.
- Develop market, credit and operational risk analytics, metrics and tools to optimize capital, risk appetite and their allocations to businesses and geographies.
- Ensure risks and return are clearly owned and transparently communicated.

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

#### Risk aggregation and stress testing

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

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

Supplementing the stress testing described above, Risk Management, working with input from the businesses and finance, provides periodic updates to senior management, the Risk Committee and the Company's Board of Directors on significant potential exposures across the Company 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 Company Board of Directors about the potential economic impacts to the Company 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 the Company that impact our outlook on the form, magnitude, correlation and timing of identified risks that may arise. In addition to enhancing awareness and understanding of potential exposures within the Company, the results of these processes then serve as the starting point for developing risk management and mitigation strategies. The Company also conducts stress testing and concentration risk testing from the individual legal vehicle perspective and the results are built into the future capital plans of the entity.

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human factors or systems or from external events. It includes the reputational and franchise risk associated with business practices or market conduct that the Company undertakes. It also includes the risk of failing to comply with applicable laws, regulations, ethical standards, regulatory administrative actions or Company policies.

Operational risk is inherent in the Company's business activities and, as with other risk types is managed through a control framework comprising of three lines of defense as follows;

- Decentralized Ownership of the Risk with Business Management Accountability;
- Oversight by Independent Risk Management and Control functions; and
- Independent Assessment by Internal Audit.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### *Framework*

The Company follows the approach to operational risk as defined in the Citigroup Operational Risk Management Policy. The objective of the Policy is to establish a consistent value-added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citi. The Operational Risk Management Framework is intended to ensure management across Citibank of the operational risks and ongoing exposures in the development and delivery of products and services to our clients, and support Basel implementation.

The Company Operational Risk and Outsourcing Committee has been refocused and operational risk working groups have been established to escalate operational risk related concerns to further proactive management of operational risk. Information about operational risk, historical losses and the control environment, is reported and summarized for Internal Audit, senior management and for the Board of Directors.

#### **Market risk**

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

#### **Market risk management**

Within each business, a process is in place to control market risk exposure. The risk management process includes the establishment of appropriate market risk controls and limits, policies and procedures and appropriate senior management risk oversight with a risk management function independent from the business. Management of this process begins with the professionals nearest to the Company'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 Citibank Internal Audit to ensure compliance with institutional policies and procedures for the assessment, management and control of market risk.

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

#### **Trading price risk**

#### **Overall objectives**

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

#### **VaR Methodology**

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

#### **VaR limitations**

Although extensive back-testing of the VaR hypothetical portfolios, with varying concentrations by industry, risk rating and other factors is performed, the VaR cannot necessarily provide an indication of the potential size of loss when an extreme event occurs. Hence a comprehensive set of factor sensitivity limits and stress tests are used, in addition to VaR limits. A VaR trigger is in place for the Company that ensures any excesses are discussed and resolved between risk and the business and entity management. In addition, the Company is subject to formal limits on interest rate, FX and issuer exposures that are closely monitored by Risk Management and senior business management.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Market risk management (continued)

#### Trading price risk (continued)

#### VaR limitations (continued)

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

VAR	31-Dec-15	000's	000's	000's	31-Dec-14
	Outstanding	MAX	MIN	AVG	Outstanding
Portfolio VAR	4,173	4,999	1,849	3,643	4,702

#### Non-trading price risk

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

#### Interest rate risk

Interest Rate Exposure measures the potential pre-tax impact on Net Interest Margin over a specified reporting period, for accrual positions, due to defined shifts in appropriate interest rates. Net Interest Margin ("NIM") is the difference between the yield earned on the accrual portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or company borrowings). NIM is affected by changes in the level of interest rates. IRE is a static measure based on existing positions, computed as a change in expected NIM in each currency resulting solely from unanticipated changes in interest rates. Factors such as changes in volumes, margins and the impact of prior-period pricing decisions are not captured by IRE. IRE assumes that businesses make no additional changes in pricing or balances in response to the unanticipated rate changes.

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	2015		2014	
	12 Month	2 Year	12 Month	2 Year
	\$ 000	\$ 000	\$ 000	\$ 000
USD	(1,829)	(1,504)	(721)	(389)
EUR	(3,990)	(4,289)	(4,252)	(4,313)
RON	(3,460)	(5,299)	(1,696)	(1,740)
CZK	(1,694)	(1,842)	2,518	5,594
HUF	(4,907)	(9,694)	(4,862)	(9,054)
GBP	(638)	(642)	(476)	(490)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Market risk management (continued)

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

#### *Currency risk*

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

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

	2015		
	Net exposure	(%)	Income statement impact
	\$ 000		\$ 000
EUR	39,464	2.4%	957
HUF	15,687	1.9%	306
RON	33,362	2.4%	2,571

	2014		
	Net exposure	(%)	Income statement impact
	\$ 000		\$ 000
EUR	25,995	1.8%	460
HUF	13,808	2.2%	298
RON	11,295	2.5%	280

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk

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

Management of liquidity is the responsibility of the Company Treasurer who aims to ensure that all funding obligations are met when due.

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

A liquidity policy is prepared by Treasury and approved by the Board annually and the liquidity profile is monitored on an on-going basis and reported daily. Liquidity risk is measured and managed using the Balance Sheet Stress Reporting (“S2”) process in accordance with Citigroup policy.

CRD IV introduced two new liquidity measures, namely the Liquidity Coverage Ratio (LCR) and Net Stable Funding Requirement (NSFR). LCR measures the stock of liquid assets against net cash outflows arising in a 30 day stress scenario. NSFR is intended to ensure that a firm has an acceptable amount of stable funding to support its assets and activities over the medium term (one year period).

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk (continued)

As at 31 December 2015	Less than 12 months \$ 000	Over 12 months \$ 000	Total \$ 000
<b>Assets</b>			
Cash and balances at central bank	4,811,631	-	4,811,631
Loans and advances to banks	5,371,636	3,855,290	9,226,926
Loans and advances to customers	5,417,620	2,844,736	8,262,356
Derivative financial instruments	25,072	93,583	118,655
Trading assets	112,303	860,234	972,537
Investment securities	515,002	1,701,307	2,216,309
Non current assets - held for sale	424,967	-	424,967
Other financial assets	84,408	382,205	466,613
<b>Total financial assets</b>	<u>16,762,639</u>	<u>9,737,355</u>	<u>26,499,994</u>
<b>Liabilities</b>			
Deposits by banks	6,959,971	-	6,959,971
Customer accounts	7,913,072	567	7,913,639
Derivative financial instruments	36,258	81,952	118,210
Non current liabilities - held for sale	1,257,791	-	1,257,791
Other financial liabilities	2,014,471	49,204	2,063,675
<b>Total financial liabilities</b>	<u>18,181,563</u>	<u>131,723</u>	<u>18,313,286</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk (continued)

<b>As at 31 December 2014</b>	<b>Less than 12 months \$ 000</b>	<b>Over 12 months \$ 000</b>	<b>Total \$ 000</b>
<b>Assets</b>			
Cash and balances at central bank	5,200,092	-	5,200,092
Loans and advances to banks	5,305,571	28,806	5,334,377
Loans and advances to customers	7,313,099	3,453,118	10,766,217
Derivative financial instruments	83,162	191,715	274,877
Trading assets	65,112	1,196,925	1,262,037
Investment securities	164,138	1,494,415	1,658,553
Other financial assets	718,196	55,241	773,437
<b>Total financial assets</b>	<u>18,849,369</u>	<u>6,420,221</u>	<u>25,269,590</u>
<b>Liabilities</b>			
Deposits by banks	3,980,637	69,896	4,050,533
Customer accounts	9,002,616	33,859	9,036,475
Derivative financial instruments	92,294	225,754	318,048
Debt securities in issue	1,655,181	-	1,655,181
Other financial liabilities	2,303,364	111,530	2,414,894
<b>Total financial liabilities</b>	<u>17,034,092</u>	<u>441,039</u>	<u>17,475,131</u>



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk (continued)

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

	1 year and less \$ 000	>1 year and < 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000
<b>As at 31 December 2015</b>				
<b>Liabilities</b>				
Deposits by banks	6,990,492	-	-	6,990,492
Customer accounts	7,925,780	63	504	7,926,347
Derivative financial instruments	38,462	13,657	68,309	120,428
Non current liabilities - held for sale	1,257,791	-	-	1,257,791
<b>Total undiscounted financial liabilities</b>	<b>16,212,525</b>	<b>13,720</b>	<b>68,813</b>	<b>16,295,058</b>
	1 year and less \$ 000	>1 year and < 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000
<b>As at 31 December 2014</b>				
<b>Liabilities</b>				
Deposits by banks	4,013,446	69,957	-	4,083,403
Customer accounts	9,013,379	26,623	7,236	9,047,238
Derivative financial instruments	95,089	21,112	204,657	320,858
Debt securities in issue	1,655,181	-	-	1,655,181
<b>Total undiscounted financial liabilities</b>	<b>14,777,095</b>	<b>117,692</b>	<b>211,893</b>	<b>15,106,680</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Liquidity risk (continued)

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

	1 year and less \$ 000	>1 year and < 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000
<b>2015</b>				
Letters of credit	10,445,138	2,129,567	25,621	12,600,326
Undrawn commitments to lend	861,744	2,285,830	1,026,438	4,174,012
Other commitments and guarantees	1,295,496	1,615,689	37,299	2,948,484
<b>Total commitments and guarantees</b>	<b>12,602,378</b>	<b>6,031,086</b>	<b>1,089,358</b>	<b>19,722,822</b>
	1 year and less \$ 000	>1 year and < 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000
<b>2014</b>				
Letters of credit	11,239,988	2,077,491	41,539	13,359,018
Undrawn commitments to lend	306,677	2,257,076	807,190	3,370,943
Other commitments and guarantees	3,497,214	558,935	618,042	4,674,191
<b>Total commitments and guarantees</b>	<b>15,043,879</b>	<b>4,893,502</b>	<b>1,466,771</b>	<b>21,404,152</b>

#### Credit risk

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

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

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

##### 1. Institutional Clients Group ("ICG") & Citigroup Commercial Bank ("CCB")

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 risk;
- single centre of control for each credit relationship that coordinates credit activities with that client;
- a minimum of two authorised-credit-officer signatures are required on extensions of credit, one of which must be from a credit officer in credit risk management for the ICG business. In relation to CCB, one credit officer must be in credit risk management for all transactions greater than \$10mm;
- 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

### 14. 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 appropriate Senior Credit Officer.

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

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

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

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

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

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

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

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. See table below for split by category.

<i>Total carrying amounts</i>	<b>Note</b>	<b>2015</b> <b>\$ 000</b>	<b>2014</b> <b>\$ 000</b>
<b>Loans and advances to banks</b>			
Loans and advances - 3rd party	15	2,084,575	2,618,717
<b>Loans and advances to customers</b>			
Charge and credit card debtors	15	2,700	403,908
Commercial loans	15	7,868,383	9,842,097
Consumer loans	15	26	75,804
Loans held at fair value through the profit and loss	15	391,247	444,408
Loans and advances to customers		<u>8,262,356</u>	<u>10,766,217</u>
<b>Loans and advances to third parties</b>		<u><b>10,346,931</b></u>	<u><b>13,384,934</b></u>

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:

	<b>2015</b> <b>\$ 000</b>	<b>2014</b> <b>\$ 000</b>
Gross exposure		
- Commitments and guarantees (third party)	18,443,108	18,890,249
- Balance sheet exposures (third party)	16,900,745	19,796,438
<b>Total exposure</b>	<u><b>35,343,853</b></u>	<u><b>38,686,687</b></u>

Note: The tables below detail the Company's third party credit exposures.

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

Cash and OECD Government bonds are held as collateral against a significant number of commitments and guarantees.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

The Company's statement of financial position (on balance sheet) credit risk concentrations by industry are as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Governments & Central bank	5,723,389	6,114,631
Financial services	3,822,293	4,128,695
Other	1,709,560	2,513,828
Transport	1,261,260	1,332,482
Communication	904,496	2,221,179
Engineering / Electronics	856,426	952,714
Food & Drinks industry	717,762	475,678
Oil & Gas	472,315	578,127
Agriculture	431,627	415,186
Consumer	409,244	768,924
Chemicals	240,727	199,813
Construction	227,152	94,911
Local government	124,494	270
	<u>16,900,745</u>	<u>19,796,438</u>

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

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

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Central Europe	8,342,656	8,862,367
Western Europe	5,449,551	6,871,632
Middle East / Africa	1,051,604	1,593,112
Central / South America	775,835	1,053,219
North America	758,624	881,713
Asia	522,475	534,395
	<u>16,900,745</u>	<u>19,796,438</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

IFRS 7.34(a) requires disclosure for each type of risk arising in respect of financial instruments of “*Summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24) for example the entity’s board of directors or chief executive officer*”.

For disclosure purposes the bank regulatory definitions have been used, formulated on the facility risk ratings described above. A description of the classifications is provided below.

<i>Pass</i>	A pass facility has no evident weakness, marginal risk or low loss severity and is adequately protected by the obligor’s current sound worth and paying capacity of the obligor.
<i>Special mention</i>	A special mention asset has potential weaknesses that deserve management’s close attention.
<i>Substandard</i>	The substandard classification is made up of three sub categories:
- <i>Substandard</i>	A substandard asset is inadequately protected by the current worth and paying capacity of the obligor or of the collateral pledged, if any.
- <i>Doubtful</i>	An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- <i>Loss</i>	Assets classified “loss” are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

The following table analyses the credit quality of Restructured and Non-restructured corporate loans:

	2015 \$ 000
Total corporate loans and advances to customers	8,303,592
Total provision on corporate loans and advances to customers	(41,236)
Total net corporate loans and advances to customers	<u>8,262,356</u>
Restructured loans	
Gross corporate loans	
Substandard or worse	-
Collective provision	
Substandard or worse	-
Specific provision	
Substandard or worse	-
Net corporate loans	<u>-</u>
Non-restructured loans	
Gross corporate loans	
Pass	7,984,763
Special mention	247,278
Substandard or worse	71,551
Collective provision	
Pass	(15,287)
Special mention	(1,625)
Substandard or worse	(4,823)
Specific provision	
Good	-
Special mention	-
Substandard or worse	(19,502)
Net corporate loans	<u>8,262,356</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

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

2015	Charge and credit card debtors \$ 000	Commercial loans \$ 000	Consumer loans \$ 000	Total \$ 000
Gross amount	1,737	10,393,339	-	10,395,076
<i>Individually impaired</i>				
Current	652	728	-	1,380
1 - 119 days past due	-	5,633	-	5,633
120 - 179 days past due	-	-	-	-
180 days or more past due	-	30,900	-	30,900
Gross amount	652	37,261	-	37,913
Impairment provision on individually impaired loans	-	(24,465)	-	(24,465)
Carrying amount of individually impaired loans	652	12,796	-	13,448
<i>Collectively assessed</i>				
Current	1,085	10,345,433	-	10,346,518
1 - 119 days past due	-	9,830	-	9,830
120 - 179 days past due	-	393	-	393
180 days or more past due	-	422	-	422
Gross amount	1,085	10,356,078	-	10,357,163
Impairment provision on collectively assessed loans	-	(33,234)	-	(33,234)
Carrying amount of collectively assessed loans	1,085	10,322,844	-	10,323,929
Carrying amount of loans neither past due, nor impaired	963	8,564	26	9,553
Total impairment provision	-	(57,699)	-	(57,699)
Total carrying amount	2,700	10,344,205	26	10,346,931
Impairment provision on undrawn commitments	-	(12,923)	-	(12,923)
Total impairment on drawn and undrawn commitments	-	(70,622)	-	(70,622)



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

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

2014	Charge and credit card debtors \$ 000	Commercial loans \$ 000	Consumer loans \$ 000	Total \$ 000
Gross amount	416,954	12,945,684	78,105	13,440,743
<i>Individually impaired</i>				
Current	961	3,693	-	4,654
1 - 119 days past due	-	768	-	768
120 - 179 days past due	-	-	-	-
180 days or more past due	-	6,413	-	6,413
Gross amount	961	10,874	-	11,835
Impairment provision on individually impaired loans	-	(6,140)	-	(6,140)
Carrying amount of individually impaired loans	961	4,734	-	5,695
<i>Collectively assessed</i>				
Current	400,255	12,910,723	76,373	13,387,351
1 - 119 days past due	13,483	20,960	1,728	36,171
120 - 179 days past due	2,255	333	-	2,588
180 days or more past due	-	2,794	4	2,798
Gross amount	415,993	12,934,810	78,105	13,428,908
Impairment provision on collectively assessed loans	(13,046)	(35,490)	(2,317)	(50,853)
Carrying amount of collectively assessed loans	402,947	12,899,320	75,788	13,378,055
Carrying amount of loans neither past due, nor impaired	-	1,168	16	1,184
Total impairment provision	(13,046)	(41,630)	(2,317)	(56,993)
Total carrying amount	403,908	12,905,222	75,804	13,384,934
Impairment provision on undrawn commitments	-	(15,631)	-	(15,631)
Total impairment on drawn and undrawn commitments	(13,046)	(57,261)	(2,317)	(72,624)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

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

	2015 \$ 000	2014 \$ 000
Individual provisions taken in the year	(18,756)	3,093
Net change to collective provisions taken in the year	3,409	11,640
Credit write-offs	(31,114)	(17,681)
Credit recoveries	27,031	21,141
<b>Net credit (losses)/recoveries</b>	<b>(19,430)</b>	<b>18,193</b>

#### Movement in provisions for impairment balances

	Charge and credit card debtors \$ 000	Commercial loans \$ 000	Consumer loans \$ 000	Total \$ 000
<b>Balance at 1 January 2014</b>	19,456	76,636	4,499	100,591
Individual provisions taken in the year	-	572	-	572
Net change to collective provisions taken in the year	(3,910)	(10,196)	(1,595)	(15,701)
Provisions released due to credit write-offs	-	153	-	153
Provisions released due to credit recoveries	-	(3,924)	-	(3,924)
Foreign exchange adjustments	(2,500)	(5,153)	(587)	(8,240)
Individual provisions against off balance sheet exposure	-	(164)	-	(164)
Net change to portfolio provisions against off balance sheet exposures	-	(663)	-	(663)
<b>Balance at 31 December 2014</b>	<b>13,046</b>	<b>57,261</b>	<b>2,317</b>	<b>72,624</b>
Individual provisions taken in the year	-	22,019	-	22,019
Net change to collective provisions taken in the year	-	(940)	-	(940)
Provisions released due to credit write-offs	-	(2,556)	-	(2,556)
Provisions released due to credit recoveries	-	(706)	-	(706)
Foreign exchange adjustments	-	(1,914)	-	(1,914)
Individual provisions against off balance sheet exposure	-	-	-	-
Net change to portfolio provisions against off balance sheet exposures	-	(2,542)	-	(2,542)
Impairment release due to HFS	(13,046)	-	(2,317)	(15,363)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>70,622</b>	<b>-</b>	<b>70,622</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

Details of financial instruments which are subject to offsetting in accordance with IAS 32, enforceable master netting arrangements and similar agreements are as follows:

#### Types of financial assets

As at 31 December 2015	(a)	(b)	(c)=(a)+(b)	(d)		(e)=(c)-(d)
Description	Gross amount	Gross amount of recognised financial liabilities set off in the SOFP	Net amount presented in the SOFP	Related amounts not set off in the statement of financial		Net amount
				(d) i. Financial instruments	(d) ii. Cash collateral received	
	\$000	\$000	\$000	\$000	\$000	\$000
Derivatives	86,876	-	86,876	270	12,858	73,748
Reverse repurchase securities borrowing and similar agreements	191,542	-	191,542	189,829	-	1,713
<b>Total</b>	<b>278,418</b>	<b>-</b>	<b>278,418</b>	<b>190,099</b>	<b>12,858</b>	<b>75,461</b>

#### Types of financial liabilities

As at 31 December 2015	(a)	(b)	(c)=(a)+(b)	(d)		(e)=(c)-(d)
Description	Gross amount	Gross amount of recognised financial assets set off in the SOFP	Net amount presented in the SOFP	Related amounts not set off in the statement of financial		Net amount
				(d) i. Financial instruments	(d) ii. Cash collateral pledged	
	\$000	\$000	\$000	\$000	\$000	\$000
Derivatives	69,633	-	69,633	270	23,090	46,273
Other financial instruments	971	-	971	971	-	-
<b>Total</b>	<b>70,604</b>	<b>-</b>	<b>70,604</b>	<b>1,241</b>	<b>23,090</b>	<b>46,273</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Credit risk (continued)

##### Types of financial assets

As at 31 December 2014	(a) Gross amount	(b) Gross amount of recognised financial liabilities set off in the SOFP	(c)=(a)+(b) Net amount presented in the SOFP	(d) Related amounts not set off in (d) i. Financial instruments	(d) Related amounts not set off in (d) ii. Cash collateral received	(e)=(c)-(d) Net amount
Description	\$000	\$000	\$000	\$000	\$000	\$000
Derivatives	191,648	-	191,648	3,757	63,497	124,394
Reverse repurchase securities borrowing and similar agreements	220,599	-	220,599	217,495	-	3,104
<b>Total</b>	<b>412,247</b>	<b>-</b>	<b>412,247</b>	<b>221,252</b>	<b>63,497</b>	<b>127,498</b>

##### Types of financial liabilities

As at 31 December 2014	(a) Gross amount	(b) Gross amount of recognised financial assets set off in the SOFP	(c)=(a)+(b) Net amount presented in the SOFP	(d) Related amounts not set off in (d) i. Financial instruments	(d) Related amounts not set off in (d) ii. Cash collateral pledged	(e)=(c)-(d) Net amount
Description	\$000	\$000	\$000	\$000	\$000	\$000
Derivatives	215,891	-	215,891	3,757	1,620	210,514
Other financial instruments	12,629	-	12,629	9,679	-	2,950
<b>Total</b>	<b>228,520</b>	<b>-</b>	<b>228,520</b>	<b>13,436</b>	<b>1,620</b>	<b>213,464</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Capital management regulatory capital requirements

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

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

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

#### Regulatory capital requirements

The Company's regulatory capital position at 31 December 2015 was as follows:

	2015 \$ 000	2014 \$ 000
<b>Total regulatory capital</b>	<u><u>7,608,398</u></u>	<u><u>6,830,029</u></u>

The Company is required by the Central Bank to maintain adequate capital and the Company is subject to the risk of having insufficient capital resources to meet minimum regulatory capital requirements. The Company's minimum capital requirement is calculated in accordance with Basel II regulatory capital requirements. The Company has complied with the minimum capital adequacy ratio of 8% throughout the period.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Financial assets and liabilities

The below tables outline the total financial assets and liabilities held as at 31 December 2015 and 31 December 2014.

	2015 \$ 000	2014 \$ 000
Derivative financial instruments	118,655	274,877
Other financial assets held for trading	972,537	1,262,037
Financial investments available-for-sale	2,216,309	1,658,553
Loans held at fair value through profit or loss	391,247	444,408
<b>Total financial assets held at fair value</b>	<b>3,698,748</b>	<b>3,639,875</b>
Cash and balances at central bank	4,811,631	5,200,092
Loans and advances at amortized cost	17,098,035	15,656,186
Other financial assets	682,019	773,437
<b>Total financial assets not held at fair value</b>	<b>22,591,685</b>	<b>21,629,715</b>
<b>Total financial assets</b>	<b>26,290,433</b>	<b>25,269,590</b>
	2015 \$ 000	2014 \$ 000
Derivative financial instruments	118,210	318,048
Financial liabilities at fair value through profit or loss	175,543	213,227
<b>Total financial liabilities held at fair value</b>	<b>293,753</b>	<b>531,275</b>
Deposits by banks	6,959,971	4,050,533
Customer accounts	7,913,639	9,036,475
Other liabilities and debt securities in issue	2,411,729	3,856,848
<b>Total financial liabilities not held at fair value</b>	<b>17,285,339</b>	<b>16,943,856</b>

In accordance with IFRS 13 Fair Value Measurement, the Company has adopted the fair value hierarchy classification of financial instruments. This requires the Company to classify its financial instruments held at fair value according to a hierarchy based on the significance of the inputs used to arrive at the overall fair value of these instruments.

The fair value hierarchy is determined as follows:

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

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:  
31 December 2015

	Fair value			Total \$ 000
	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	
<b>Financial assets</b>				
Derivative financial instruments	-	118,655	-	118,655
Other financial assets held for trading	39,293	933,244	-	972,537
Financial investments available-for-sale	54,915	2,140,771	20,623	2,216,309
Loans held at fair value through profit or loss	-	7,757	383,490	391,247
<b>Financial assets held at fair value</b>	<u>94,208</u>	<u>3,200,427</u>	<u>404,113</u>	<u>3,698,748</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	118,210	-	118,210
Financial liabilities at fair value through profit or loss	-	175,543	-	175,543
<b>Financial liabilities held at fair value</b>	<u>-</u>	<u>293,753</u>	<u>-</u>	<u>293,753</u>

### 31 December 2014

	Fair value			Total \$ 000
	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	
<b>Financial assets</b>				
Derivative financial instruments	-	274,877	-	274,877
Trading assets	28,646	1,233,391	-	1,262,037
Investment securities	70,071	1,588,482	-	1,658,553
Loans held at fair value through profit or loss	-	-	444,408	444,408
<b>Financial assets held at fair value</b>	<u>98,717</u>	<u>3,096,750</u>	<u>444,408</u>	<u>3,639,875</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	318,048	-	318,048
Other financial liabilities held for trading	-	213,227	-	213,227
<b>Financial liabilities held at fair value</b>	<u>-</u>	<u>531,275</u>	<u>-</u>	<u>531,275</u>

Loans held at fair value through the profit or loss, totalling \$391million (2014: \$444 million) are included in the Statement of Financial Position within loans and advances to customers.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Level 3 fair value measurements

The Company classified financial instruments as Level 3 of the fair value hierarchy when there is a reliance on at least one significant unobservable input to the valuation model. The gains and losses presented below include changes in the fair value related to the observable and unobservable inputs.

	2015		2014	
	Loans and advances to customers	Investment securities available for sale	Loans and advances to customers	Investment securities available for sale
2015	\$ 000	\$ 000	\$ 000	\$ 000
Balance at 1 January	444,408	-	-	-
Additions for the year	-	-	-	-
Transfer into Level 3	-	-	500,943	-
Total gains/(losses)	(1,952)	20,623	-	-
Fair value movement	(5,657)	-	(5,459)	-
Settlements	(53,308)	-	(51,075)	-
Balance at 31 December	<u>383,490</u>	<u>20,623</u>	<u>444,408</u>	<u>-</u>

Total gains or losses for the year are presented in the income statement as follows;

	2015		2014	
	Loans and advances to customers	Investment securities available for sale	Loans and advances to customers	Investment securities available for sale
	\$ 000	\$ 000	\$ 000	\$ 000
Interest income	14,954	-	19,211	-
Fair value movement	(5,657)	-	(5,460)	-
Total	<u>9,296</u>	<u>-</u>	<u>13,751</u>	<u>-</u>

#### Level 3 positions

During the year, total changes in fair value of US\$5.7 million was recognised in the income statement relating to loans where the fair value was estimated using a valuation technique which uses one or more significant inputs based on unobservable market data.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Level 3 fair value measurements (continued)

##### Sensitivity to unobservable inputs and interrelationships between unobservable inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability. For certain instruments, the pricing hedging and risk management are sensitive to the correlation between various inputs rather than on the analysis and aggregation of the individual inputs.

The following section describes the sensitivities and interrelationships of the most significant unobservable inputs used by the Company in Level 3 fair value measurements.

##### *Yield*

Adjusted yield is generally used to discount the projected future principal and interest cash flows on instruments, such as loans. Adjusted yield is impacted by changes in the interest rate environment and relevant credit spreads.

In some circumstances, the yield of an instrument is not observable in the market and must be estimated from historical data or from yields of similar securities. This estimated yield may need to be adjusted to capture the characteristics of the security being valued. In other situations, the estimated yield may not represent sufficient market liquidity and must be adjusted as well. Whenever the amount of the adjustment is significant to the value of the security, the fair value measurement is classified as Level 3.

##### *Credit Spread*

Credit spread is a component of the security representing its credit quality. Credit spread reflects the market perception of changes in prepayment, delinquency and recovery rates, therefore capturing the impact of other variables on the fair value. Changes in credit spread affect the fair value of securities differently depending on the characteristics and maturity profile of the security. For example, credit spread is a more significant driver of the fair value measurement of a high yield bond as compared to an investment grade bond. Generally, the credit spread for an investment grade bond is also more observable and less volatile than its high yield counterpart.

##### Qualitative discussion of the ranges of significant unobservable inputs

The following section describes the ranges of the most significant unobservable inputs used by the Company in Level 3 fair value measurements. The level of aggregation and the diversity of instruments held by the Company lead to a wide range of unobservable inputs that may not be evenly distributed across the Level 3 inventory.

##### *Yield*

Ranges for the yield inputs vary significantly depending upon the type of security. For example, securities that typically have lower yields, such as municipal bonds, will fall on the lower end of the range, while more illiquid securities or securities with lower credit quality, such as certain residual tranche asset-backed securities, will have much higher yield inputs.

##### *Credit Spread*

Credit spread is relevant primarily for fixed income and credit instruments; however, the ranges for the credit spread input can vary across instruments. For example, certain fixed income instruments typically have lower credit spreads, whereas certain instruments with high-risk counterparties are typically subject to higher credit spreads when they are uncollateralized or have a longer tenor. Other instruments, which are dependent upon or derived from one or more underlying instrument, also have credit spreads that vary with the attributes of the underlying obligor. Stronger companies have tighter credit spreads, and weaker companies have wider credit spreads.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Level 3 fair value measurements (continued)

##### *Price*

The price input is a significant unobservable input for certain fixed income instruments. For these instruments, the price input is expressed as a percentage of the notional amount, with a price of 100 meaning that the instrument is valued at par. For most of these instruments, the price varies between zero and slightly above 100. Relatively illiquid assets that have experienced significant losses since issuance, such as certain asset-backed securities, are at the lower end of the range, whereas most investment grade corporate bonds will fall in the middle to the higher end of the range. The price input is also a significant unobservable input for certain equity securities; however, the range of price inputs varies depending on the nature of the position, the number of shares outstanding and other factors.

#### Specific details on Level 3 instruments

##### *EAF Loans:*

Loans facilities in the EAF loans portfolio are provided to airline companies, however as the loans are guaranteed by three Export Credit Agencies (ECAs). When reviewing and applying the appropriate credit risk benchmark, the Company considers the credit risk of these Credit Agencies, rather than underlying issuers themselves. As these three ECAs are backed and provide guarantees by the sovereign countries/governments themselves, the most appropriate benchmark is the actual sovereign credit risk of the parent country.

The Company considers a factor that is reflective of external credit risk that impacts the credit risk of the loans, such as credit risk of the ECA. The Company applies the CDS curves of France, Germany and UK as a sensitivity measure. As stated and assumed maturity of these loans is Q3/Q4 2021, therefore the Company will use the 5 year CDS spread for France, Germany and UK respectively, during the sensitivity analysis.

##### *Visa Europe:*

In relation to the proposed sale of 100% shares of Visa Europe to Visa Inc., and based on information received from Visa Europe, the Company as a minority holder of shares in Visa Europe, will receive consideration with an estimated fair value of \$20.6 million, comprising cash (59%) and preferred stock in Visa Inc (41%), which has resulted in a fair value gain of \$20.6 million. The amount of consideration is not yet final and can be amended as a consequence of transaction costs, contractual clauses and successful members' appeals. The preferred stock will be convertible into Class A Common Stock of Visa Inc at some point in the future.

The transaction is expected to be finalised by June 2016, at which stage the fair value gains will be taken to the income statement.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Level 3 fair value measurements (continued)

#### EAF Fair value Loans:

Financial Instrument		31 December	31 December	Valuation Technique	Unobservable inputs	Range of Estimates 2015	
		2015 \$ 000	2014 \$ 000			High	Low
Visa Europe	Asset	20,623	-	Estimated proceeds after applying a discount for the conversion rate variability and illiquidity of the preferred stock of Visa Inc.	Fair value of preferred stock of Visa Inc.	Estimated proceeds with no discount for the conversion rate and illiquidity of the preferred stock of Visa Inc.	Estimated proceeds after applying a 50% discount for the conversion rate and illiquidity of the preferred stock of Visa Inc.
Loans at Fair value	Asset	383,490	444,408	Yield based	All in Interest (%)	3.90%	5.10%
				or	Credit Risk Premium (DE,UK,FR) 5 YR Spread	13bps	27bps

# 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 Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Other financial assets are primarily made up of receivables balances from the Company's treasury and trade solutions and markets and securities services business.

	Note	31 December 2015		31 December 2014	
		Total carrying amount \$ 000	Total fair value \$ 000	Total carrying amount \$ 000	Total fair value \$ 000
<b>Financial assets</b>					
Cash and balances at central bank	12	4,811,631	4,811,631	5,200,092	5,200,108
<b>Loans and advances to banks</b>					
Loans and advances - intercompany	29	7,142,191	7,142,191	2,715,660	2,715,675
Loans and advances - 3rd party		2,084,735	2,084,735	2,618,717	2,618,718
		9,226,926	9,226,926	5,334,377	5,334,393
<b>Loans and advances to customers</b>					
Charge and credit card debtors	14	2,700	2,700	403,908	400,755
Commercial loans	14	7,868,383	7,851,769	9,842,097	9,842,912
Consumer loans	14	26	26	75,804	74,536
		7,871,109	7,854,495	10,321,809	10,318,203
<b>Other financial assets</b>		682,019	683,362	773,437	773,437
		<b>22,591,685</b>	<b>22,576,415</b>	<b>21,629,715</b>	<b>21,626,141</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

	31 December 2015		31 December 2014	
	Total carrying amount \$ 000	Total fair value \$ 000	Total carrying amount \$ 000	Total fair value \$ 000
<b>Financial liabilities</b>				
Deposit by banks				
Deposits by banks - Intercompany	5,846,883	5,846,454	3,059,354	3,059,009
Deposits by banks - 3rd party	1,113,088	1,113,431	991,179	991,160
	<b>6,959,971</b>	<b>6,959,885</b>	<b>4,050,533</b>	<b>4,050,169</b>
Customer accounts	7,913,639	7,929,767	9,036,475	9,036,359
Other liabilities and debt securities in issue	2,411,729	2,411,729	3,856,848	3,856,848
	<b>17,285,339</b>	<b>17,301,381</b>	<b>16,943,856</b>	<b>16,943,376</b>

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

- Derivative financial instruments, trading assets, and debt securities in issue are measured at fair value by reference to quoted market prices in active markets. If quoted market prices are not available then fair values are estimated on the basis of other valuation techniques, including discounted cash flow models and options pricing models. The market price includes credit value adjustments where appropriate.
- Investment securities classified as available-for-sale or designated at fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated based on other recognised valuation techniques.
- The fair value for loans and advances and other lending are estimated using internal valuation techniques such as discounted cash flow analysis. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the loan being valued. In certain cases the carrying value approximates fair value because the instruments are short term in nature or reprice frequently.
- The fair value of debt securities in issue that are classified at amortised cost is measured using discounted cash flows.
- Fair values of customer account deposit liabilities, other assets and other liabilities are estimated using discounted cash flows, applying either market rates where practicable, or rates currently offered by the Group for deposits of similar remaining maturities. Where market rates are used no adjustment is made for counterparty credit spreads.
- The carrying amount of cash and balances at central bank is a reasonable approximation of fair value due to the short term nature of the balances.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

The table below sets out the estimated fair value, at level 1, 2 and 3 of those assets and liabilities not held at fair value in the statement of financial position.

	31 December 2015		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>					
Cash and balances at central bank	4,811,631	4,811,631	4,811,631	-	-
Loans and advances to banks	9,226,926	9,226,926	-	9,226,926	-
Loans and advances to customers	7,871,109	7,854,495	-	-	7,854,495
Other financial assets	682,019	683,362	-	-	683,362
<b>Total financial assets</b>	<b>22,591,685</b>	<b>22,576,414</b>	<b>4,811,631</b>	<b>9,226,926</b>	<b>8,537,857</b>
<b>Liabilities</b>					
Deposits from banks	6,959,971	6,959,885	-	6,959,885	-
Customer accounts	7,913,639	7,929,767	-	7,929,767	-
Debt securities in issue	-	-	-	-	-
Other financial liabilities	2,411,729	2,411,729	-	175,543	2,236,186
<b>Total financial liabilities</b>	<b>17,285,339</b>	<b>17,301,381</b>	<b>-</b>	<b>15,065,195</b>	<b>2,236,186</b>
	31 December 2014		Estimated fair value		
	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>					
Cash and balances at central bank	5,200,092	5,200,092	5,200,092	-	-
Loans and advances to banks	5,334,377	5,334,393	-	5,334,393	-
Loans and advances to customers	10,321,809	10,318,203	-	-	10,318,203
Other financial assets	773,437	773,437	-	-	773,437
<b>Total financial assets</b>	<b>21,629,715</b>	<b>21,626,125</b>	<b>5,200,092</b>	<b>5,334,393</b>	<b>11,091,640</b>
<b>Liabilities</b>					
Deposits from banks	4,050,533	4,050,169	-	4,050,169	-
Customer accounts	9,036,475	9,036,359	-	9,036,359	-
Debt securities in issue	1,655,181	1,655,181	-	1,655,181	-
Other financial liabilities	2,201,667	2,201,667	-	213,227	1,988,440
<b>Total financial liabilities</b>	<b>16,943,856</b>	<b>16,943,376</b>	<b>-</b>	<b>14,954,936</b>	<b>1,988,440</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Investment securities

Investment securities are primarily composed of government securities.

	2015	2014
	\$ 000	\$ 000
<b>Investment securities - available for sale</b>		
Debt securities:		
- listed	2,195,519	1,658,366
- unlisted	-	-
Equity securities:		
- unlisted	20,790	187
	<u>2,216,309</u>	<u>1,658,553</u>

### 17. Derivative financial instruments

	2015		2015		2014		2014	
	Notional amount	Fair value		Notional amount	Fair value		Assets	Liabilities
		Assets	Liabilities		Assets	Liabilities		
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	
<b>Exchange rate related contracts</b>								
Forwards and futures	12,674,505	69,594	69,228	16,446,757	180,131	198,483		
Currency swaps	567,843	7,093	6,560	508,514	30,894	27,767		
Options	606,236	2,965	2,964	331,726	3,253	3,241		
	<u>13,848,584</u>	<u>79,652</u>	<u>78,752</u>	<u>17,286,997</u>	<u>214,278</u>	<u>229,491</u>		
<b>Interest rate related contracts</b>								
Forward rate agreement	646,355	71	73	1,891,192	535	557		
Interest rate swaps	2,658,654	34,298	34,752	3,418,822	57,873	85,809		
Options	78,434	32	32	88,882	3	3		
	<u>3,383,443</u>	<u>34,402</u>	<u>34,857</u>	<u>5,398,896</u>	<u>58,411</u>	<u>86,369</u>		
<b>Equity and commodity related contracts</b>								
Options	6,336	818	818	9,783	878	878		
Swaps	62,382	3,783	3,783	43,328	1,310	1,310		
	<u>68,718</u>	<u>4,601</u>	<u>4,601</u>	<u>53,111</u>	<u>2,188</u>	<u>2,188</u>		
<b>Total derivative contracts</b>	<u>17,300,745</u>	<u>118,655</u>	<u>118,210</u>	<u>22,739,004</u>	<u>274,877</u>	<u>318,048</u>		

See note 14 for more details on how the Company uses derivative financial instruments as part of its risk management policies and procedures.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Other liabilities

	2015 \$ 000	2014 \$ 000
Accounts payable	1,565,055	1,886,641
Other balances	548,158	856,050
	<u>2,113,213</u>	<u>2,742,691</u>

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

### 19. Other assets

	2015 \$ 000	2014 \$ 000
Settlement clearing lines	297,273	571,944
Other balances	171,869	278,635
	<u>469,142</u>	<u>850,579</u>

Settlement clearing lines arise from the timing of short term transactions between the point of funding and the settlement period in the Company's transaction services business. Other balances represent receivables due and other financial assets recorded.

### 20. Shares in subsidiary undertakings

	2015 \$ 000	2014 \$ 000
<b>At 1 January</b>	3,106	3,474
Foreign exchange revaluation	(161)	(368)
Disposal	(1,567)	-
<b>At 31 December</b>	<u>1,378</u>	<u>3,106</u>

The Company has an investment in the following subsidiary:

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

The Hungarian subsidiary will be liquidated in 2016.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Property and equipment

	Leasehold improvements \$ 000	Vehicles, furniture and equipment \$ 000	Total \$ 000
<b>Cost</b>			
<b>At 1 January 2014</b>	26,627	46,705	73,332
Additions from business combination	503	1,088	1,591
Additions	1,694	5,367	7,061
Acquisitions	-	239	239
Disposals	(460)	(5,187)	(5,647)
Write-offs	(3,334)	(1,687)	(5,021)
Foreign exchange	(4,002)	(7,159)	(11,161)
<b>At 31 December 2014</b>	<u>21,028</u>	<u>39,366</u>	<u>60,394</u>
Additions from business combination	28	628	656
Additions	665	1,987	2,652
Reclassification to held for sale	(2,405)	(2,471)	(4,876)
Disposals	(574)	(7,475)	(8,049)
Write-offs	(1,157)	(1,817)	(2,974)
Foreign exchange	(2,172)	(4,475)	(6,647)
<b>At 31 December 2015</b>	<u>15,413</u>	<u>25,743</u>	<u>41,156</u>
<b>Depreciation</b>			
<b>At 1 January 2014</b>	15,494	37,255	52,749
Additions from business combination	457	851	1,308
Charged in year	2,401	4,242	6,643
Disposals	(449)	(5,047)	(5,496)
Write-offs	(2,849)	(1,619)	(4,468)
Foreign exchange	(2,412)	(5,438)	(7,850)
<b>At 31 December 2014</b>	<u>12,642</u>	<u>30,244</u>	<u>42,886</u>
Additions from business combination	-	-	-
Charged in year	1,769	2,293	4,062
Acquisitions	-	-	-
Reclassification to held for sale	(2,016)	(2,200)	(4,216)
Disposals	(379)	(6,870)	(7,249)
Write-offs	(825)	(1,589)	(2,414)
Foreign exchange	(1,157)	(3,268)	(4,425)
<b>At 31 December 2015</b>	<u>10,034</u>	<u>18,610</u>	<u>28,644</u>
<b>Net book value</b>			
At 31 December 2015	<u>5,379</u>	<u>7,133</u>	<u>12,512</u>
At 31 December 2014	<u>8,386</u>	<u>9,122</u>	<u>17,508</u>

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2014: \$nil).

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Intangible assets

	Computer software \$ 000	Other Intangibles \$ 000	Total \$ 000
<b>Cost</b>			
<b>1 January 2014</b>	159,339	103	159,442
Additions from business combination	443	-	443
Additions	57,456	12,649	70,105
Disposals	(15,275)	-	(15,275)
Write-offs	(8,017)	-	(8,017)
Foreign exchange	(15,518)	(565)	(16,083)
<b>At 31 December 2014</b>	<u>178,428</u>	<u>12,187</u>	<u>190,615</u>
Additions	17,091	-	17,091
Acquisitions	1,488	-	1,488
Reclassification to held for sale	-	-	-
Disposals	(15,777)	-	(15,777)
Write-offs	-	-	-
Foreign exchange	(12,155)	(1,341)	(13,496)
<b>31 December 2015</b>	<u><u>169,075</u></u>	<u><u>10,846</u></u>	<u><u>179,921</u></u>
<b>Amortisation and impairment losses</b>			
<b>1 January 2014</b>	78,975	103	79,078
Additions from business combination	443	-	443
Amortisation	21,437	697	22,134
Impairment	(315)	-	(315)
Disposals	(16,483)	-	(16,483)
Write-offs	(7,667)	-	(7,667)
Foreign exchange	(8,551)	(56)	(8,607)
<b>At 31 December 2014</b>	<u>67,839</u>	<u>744</u>	<u>68,583</u>
Amortisation	28,742	1,140	29,882
Impairment	3,885	-	3,885
Disposals	(14,603)	-	(14,603)
Write-offs	-	-	-
Foreign exchange	(7,100)	(190)	(7,290)
<b>31 December 2015</b>	<u><u>78,763</u></u>	<u><u>1,694</u></u>	<u><u>80,457</u></u>
<b>Net carrying value</b>			
31 December 2015	<u><u>90,312</u></u>	<u><u>9,152</u></u>	<u><u>99,464</u></u>
31 December 2014	<u><u>110,589</u></u>	<u><u>11,443</u></u>	<u><u>122,032</u></u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Discontinued operations and asset and liabilities held for sale

In line with the company's policy in relation to 'non-current assets held for sale and discontinued operations', the results of the Consumer business in Czech Republic and Hungary are now shown as discontinued operations in the Company's financial statements.

The table below details the Income statement and Cash Flows relating to the Discontinued Operations with prior year comparatives included.

#### A. Income statement

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Total revenues	122,450	148,690
- of this: Interest income	72,100	91,600
- of this: Net fee and commission income	41,567	52,767
Total expenses	(131,369)	(171,446)
- of this: Interest expense	(848)	(3,721)
- of this: Personnel expense	(39,620)	(49,594)
Net credit recoveries	10,203	3,208
<b>Results from operating activities</b>	<u>1,284</u>	<u>(19,547)</u>
Income tax expense/(credit)	(183)	9,993
<b>Total comprehensive income/(expense) for the year</b>	<u>1,102</u>	<u>(9,554)</u>

Total revenues represents the sum of interest income, net fee and commission income, dividend income, net trading income, net investment income and other operating income.

#### B. Cash flows and statement of financial position

	<b>2015</b>
	<b>\$ 000</b>
Net cash from operating activities	50,246
Net cash from/(used in) investing activities	-
Net increase in cash and cash equivalents	<u>50,246</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Discontinued operations and asset and liabilities held for sale (continued)

The table below details the assets and liabilities in relation to assets held for sale for the year 2015.

<b>Statement of Financial Position</b>	<b>2015 \$ 000</b>
<b>Assets</b>	
Loans and advances to customers	406,334
Deferred tax assets	2,930
Other assets	15,703
<b>Total Assets</b>	<u>424,967</u>
<b>Liabilities</b>	
Customer accounts	1,239,086
Deferred tax liabilities	986
Other liabilities	17,719
<b>Total Liabilities</b>	<u>1,257,791</u>

### 24. Deferred tax assets

The movement on the deferred tax is as follows:

	Balance at 1 January 2015 \$ 000	Recognised in the Income statement \$ 000	Recognised in other comprehensive income \$ 000	Balance at 31 December 2015 \$ 000
Property / equipment and software	2,082	1,468	-	3,550
Available for sale securities	(1,457)	-	(3,376)	(4,833)
Allowances for loan losses	3,298	(1,778)	-	1,520
Tax loss carry-forward	263	(147)	-	116
Share based payment transactions	(147)	550	-	403
Other	3,061	(1,130)	-	1,931
<b>Total asset</b>	<u>7,100</u>	<u>(1,037)</u>	<u>(3,376)</u>	<u>2,687</u>

### 25. Called up share capital

<b>Authorised</b>	<b>2015 \$ 000</b>	<b>2014 \$ 000</b>
5,000,000,000 common stock of €1 each	<u>4,691,500</u>	<u>4,691,500</u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Called up share capital (continued)

Allotted, called-up and fully paid	2015 \$ 000	2014 \$ 000
9,318,254 (2014: 9,318,254) common stock of €1 each	10,071	10,071

### 26. Share-based incentive plans

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

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

#### (a) Stock award programme

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

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

The programme provides that employees who meet certain age plus years-of-service requirements (retirement-eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. Awards granted to retirement-eligible employees are accrued in the year prior to the grant date in the same manner as cash incentive compensation is accrued as effectively there are no vesting conditions.

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

Prior to 2008 CAP participants were able to elect to receive all or part of their award in stock options. The figures presented in the stock option programme table include options granted under CAP.

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

Citigroup participated in a 1-for-10 reverse stock split of Citigroup common stock effective after the close of trading on May 6, 2011. Every ten shares of issued and outstanding Citigroup common stock were automatically combined into one

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Stock award programme (continued)

issued and outstanding share of common stock without any change in the par value per share. No fractional shares were issued in connection with the reverse stock split.

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

	2015	2014
Shares awarded	72,061	79,828
Weighted average fair market value per share	\$50.51	\$50.70
	<b>\$'000</b>	<b>\$'000</b>
Compensation cost charged to earnings	3,904	4,652
Fair value adjustments recorded to equity	(357)	(66)
Total carrying amount of equity-settled transaction liability	7,871	8,761

#### (b) Stock option programme

The Company has historically offered a number of Citigroup stock option programmes to its employees. However, since January 2005, stock options have been granted only to CAP participants who elect to receive stock options in lieu of restricted or deferred stock awards (Pre 2008) and to non-executive 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. The sale of underlying shares acquired through the exercise of employee stock options granted since 2003 is restricted for a two-year period (and the shares are subject to stock ownership commitment of senior employees thereafter).

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

The stock option activity with respect to 2015 and 2014 under Citigroup stock option plans is as follows:

	2015		2014	
	Options	Weighted average exercise price \$	Options	Weighted average exercise price \$
Outstanding, beginning of year	103,163	40.80	132,126	44.72
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(89,555)	40.80	(20,608)	40.80
Transfers	(468)	40.80	(5,812)	40.80
Expired	(13,140)	40.80	(2,544)	244.50
Outstanding, end of year	-	-	103,163	40.80
Exercisable, end of year	-	-	103,163	40.80

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Stock option programme (continued)

No options were reported by the Company for the year ended 31 December 2015.

The following table summarises the stock options outstanding under Citigroup stock option plans at 31 December 2014:

2014					
Range of exercise prices	Number outstanding	Options outstanding		Options exercisable	
		Weighted average contractual life remaining	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
< \$50.00	103,163	0.83	40.80	103,163	40.80
	103,163	0.83	40.80	103,163	40.80

#### *Fair value assumptions*

Reload options have been treated as separate grants from the related original grants. The result of this programme 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 programme, 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.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Stock option programme (continued)

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

	2015	2014
<b>Weighted average fair value at year end of options granted during the year</b>	-	-
<b>Weighted average expected life</b>		
Option life	<u>All expired</u>	<u>1 year</u>
<b>Valuation assumptions</b>		
Expected volatility	0.00%	35.69%
Risk-free interest rate	0.00%	0.35%
Expected dividend yield	0.00%	0.08%
Expected annual forfeitures	<u>0.00%</u>	<u>9.62%</u>

### 27. Provisions

Provisions recorded for restructuring largely relate to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Provision for property costs are mainly related to provision for onerous contracts. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of tangible assets first

Provision for commitments and guarantees given are recorded for committed loans, when the Company has contractual obligation to provide funds for clients, or for any contractual commitments which are not recorded in the balance sheet.

Other provisions relate to reserves for complementary products (insurance policies) offered by the Company. Material movements for the year relate to the reclassification of balances to held for sale.

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.



# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Provisions (continued)

	Restructuring provision \$ 000	Provision for property costs \$ 000	Commitments and Guarantees Given \$ 000	Other provisions \$ 000	Total \$ 000
<b>2015</b>					
<b>Provision for liabilities</b>					
Opening 1 January	548	4,290	15,630	2,158	22,625
Charge against profits	3,138	(1,410)	1,496	1,974	5,198
Provisions utilized	(369)	-	-	(11)	(380)
Release of provisions	(119)	(2,298)	(3,735)	-	(6,151)
Exchange Adjustments	(49)	(204)	(466)	(139)	(858)
Reclassification to held for sale	-	-	-	(2,221)	(2,221)
<b>Closing 31 December</b>	<b>3,149</b>	<b>379</b>	<b>12,924</b>	<b>1,761</b>	<b>18,213</b>

	Restructuring provision \$ 000	Provision for property costs \$ 000	Commitments and Guarantees Given \$ 000	Other provisions \$ 000	Total \$ 000
<b>2014</b>					
<b>Provision for liabilities</b>					
Opening 1 January	27	3,830	17,394	3,473	24,725
Charge against profits	601	3,032	6,607	(620)	9,619
Provisions utilized	(26)	(1,542)	-	(103)	(1,671)
Release of provisions	-	(648)	(7,450)	-	(8,098)
Exchange Adjustments	(54)	(382)	(921)	(593)	(1,950)
<b>Closing 31 December</b>	<b>548</b>	<b>4,290</b>	<b>15,630</b>	<b>2,158</b>	<b>22,625</b>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Contingent liabilities and commitments

The following tables give the nominal principal amounts and risk weighted amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the statement of financial position date and do not represent amounts at risk.

	<b>Contract amount 2015 \$ 000</b>	<b>Contract amount 2014 \$ 000</b>
<b>Undrawn credit lines</b>	4,174,011	3,370,943
<b>Other commitments</b>		
- less than 1 yr	11,740,635	14,737,202
- 1 yr and over	3,808,176	3,296,007
<b>Total</b>	<u>19,722,822</u>	<u>21,404,152</u>

Other commitments primarily relate to the Trade business in Ireland. The Company held a collective impairment provision of \$12.9 million as at 31 December 2015 (2014: \$15.6 million), with respect to its commitments.

### 29. Involvement with unconsolidated structured entities

#### *Nature, purpose and extent of the Company's interests in unconsolidated structured entities*

The Company engages in various business activities with structured entities which are designed to achieve a specific business purpose. A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entities are consolidated when the substance of the relationship between the Company and the structured entities indicate that the structured entities are controlled by the Company. The entities covered by this disclosure note are not consolidated because the Company does not control them through voting rights, contract, funding agreements, or other means. The extent of the Company's interests to unconsolidated structured entities will vary depending on the type of structured entities.

#### *Asset Based Financing*

The Company provides loans and other forms of financing to structured entities that hold assets. Those loans are subject to the same credit approvals as all other loans originated or purchased by the Company. The Company does not have the power to direct the activities that most significantly impact these structured entities economic performance, and thus it does not consolidate them. These vehicles are funded usually via a syndicate of lenders.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 29. Involvement with unconsolidated structured entities (continued)

The table below sets out an analysis of carrying amounts of interests held by the Company in unconsolidated structured entities and the maximum exposure to loss. All exposures are included in loans and advances to customers and are funded.

<b>Carrying amount</b>	<b>2015</b>
	<b>\$ 000</b>
Asset-Based Financing	<u>826,334</u>
<b>Total</b>	<u><u>826,334</u></u>

During the year the Company did not provide financial support to unconsolidated structured entities.

The maximum funded exposure represents the balance sheet carrying amount of the Company's investment in the structured entities. It reflects the initial amount of cash invested in the structured entities adjusted for any accrued interest and cash principal payments received. The carrying amount may also be adjusted for increases or declines in fair value or any impairment in value recognised in the income statement. The maximum exposure of unfunded positions represents the remaining undrawn committed amount, including liquidity and credit facilities provided by the Company.

### 30. Operating lease commitments

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Expiring:		
- within one year	7,466	9,083
- between one and five years	18,488	30,614
- in five years or more	<u>2,528</u>	<u>4,246</u>
	<u><u>28,482</u></u>	<u><u>43,943</u></u>

### 31. Debt securities in issue

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets which consist primarily of loans and advances to customers. The transferred financial assets continue either to be recognized in their entirety or to the extent of the Company retaining involvement.

The Company purchases receivables at a discount from suppliers. The Company then issues loan participation notes to investors based on this asset, and the receivable is transferred to a trust established through an affiliate. The Company retains some element of risk participation by writing a predefined percentage protection on losses incurred by the investor. The table below presents the carrying value of transferred financial assets that the Company retains 1% of credit risk.

	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Carrying amount of assets</b>		
Loans and advances to customers	<u>-</u>	<u>1,655,181</u>
<b>Carrying amount of associated liabilities</b>		
Debt securities in issue	<u>-</u>	<u>1,655,181</u>
	<u><u>-</u></u>	<u><u>1,655,181</u></u>

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Holdings Ireland Limited, which is incorporated in Ireland. The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc., which is incorporated in the United States of America. The Company defines related parties as the Board of Directors, senior management, their close family members, parent and fellow subsidiaries and associated companies. The Company considers the key management of the Company to be the Board of Directors. Directors' remuneration is disclosed in note 10.

At 31 December 2015 there were no outstanding exposures to Directors including loans (2014: \$nil).

A number of arm's 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.

	2015			Total \$ 000
	Parent company undertakings \$ 000	Subsidiary undertakings \$ 000	Other Citigroup undertakings \$ 000	
<b>Assets</b>				
Cash and balances at central banks	-	-	1,804,449	1,804,449
Loans and advances to banks	-	-	7,142,350	7,142,350
Loans and advances to customers	-	-	-	-
Prepayments and accrued income	-	-	735	735
Other assets	-	-	131,927	131,927
Derivatives	-	-	82,542	82,542
<b>Liabilities</b>				
Deposits by banks	-	-	5,848,487	5,848,487
Customer accounts	-	-	26,470	26,470
Accruals and deferred income	-	-	8,519	8,519
Other liabilities	-	-	58,599	58,599
Derivatives	-	-	77,394	77,394
<b>Commitments and guarantees</b>	-	-	1,279,714	1,279,714
<b>Income statement</b>				
Interest and similar income	-	-	17,097	17,097
Interest payable	-	-	(15,224)	(15,224)
Net fee and commission income	-	-	308,148	308,148
Other operating income	-	-	(12,434)	(12,434)
Net trading income	-	-	126,509	126,509
Other expenses	-	-	(183,674)	(183,674)

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Related party transactions (continued)

	2014			Total \$ 000
	Parent company undertakings \$ 000	Subsidiary undertakings \$ 000	Other Citigroup undertakings \$ 000	
<b>Assets</b>				
Loans and advances to banks	-	-	2,715,660	2,715,660
Loans and advances to customers	-	-	-	-
Prepayments and accrued income	-	-	913	913
Other assets	-	-	347,357	347,357
Derivatives	-	-	191,420	191,420
<b>Liabilities</b>				
Deposits by banks	-	-	3,059,353	3,059,353
Customer accounts	-	1,267	23,959	25,226
Accruals and deferred income	-	-	15,815	15,815
Other liabilities	-	2	79,444	79,446
Derivatives	-	-	244,514	244,514
<b>Commitments and guarantees</b>	-	-	2,513,903	2,513,903
<b>Income statement</b>				
Interest and similar income	-	-	11,769	11,769
Interest payable	-	-	(16,277)	(16,277)
Net fee and commission income	-	8	242,610	242,618
Other operating income	-	-	7,706	7,706
Net trading income	-	-	25,847	25,847
Other expenses	-	(85)	(209,188)	(209,273)

Certain comparative values have been restated for prior year.

# CITIBANK EUROPE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 33. Reserves

The Company did not pay an interim dividend to its parent company Citibank Holdings Ireland Limited in 2015 (2014: \$nil million).

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Other reserves			Retained earnings \$ 000	Total \$ 000
				Gains/(Losses) ) arising from AFS \$ 000	Translation reserves and other items \$ 000	Share Based Payments \$ 000		
<b>At 1 January 2014</b>	10,071	1,593,607	824,123	(256)	32,938	2,717	4,395,752	6,858,952
Profit for the period	-	-	-	-	-	-	743,908	743,908
Share based payments	-	-	-	-	-	66	-	66
Gains / (Losses) arising from AFS	-	-	-	2,234	-	-	-	2,234
Translation reserve	-	-	-	-	(61,398)	-	-	(61,398)
<b>At 31 December 2014</b>	10,071	1,593,607	824,123	1,978	(28,460)	2,783	5,139,660	7,543,762
Profit for the period	-	-	-	-	-	-	623,591	623,591
Share based payments	-	-	-	-	-	357	-	357
Gains arising from AFS	-	-	-	12,133	-	-	-	12,133
Translation reserve and other items	-	-	-	-	(30,208)	-	-	(30,208)
Dividend	-	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	10,071	1,593,607	824,123	14,111	(58,668)	3,139	5,763,251	8,149,634

# **CITIBANK EUROPE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **34. Parent companies**

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

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

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

### **35. Subsequent Events**

As part of Citigroup strategy of legal entity simplification and in order to serve its customers more efficiently, the merger took place of two of its EU passported banking entities, Citibank Europe plc and Citibank International Limited, with Citibank Europe plc remaining as the surviving entity.

The merger was executed on 1 January 2016 under the EU Cross Border Merger Directive. The transaction involved the transfer of \$31.5bn assets and of \$27.6bn liabilities, recorded at book value.

The Company's Consumer business in the Czech Republic was sold in Q1 2016, as part of Citigroup's strategy to exit this business in 11 markets. The Company also sold its Alternative Investment's business in Ireland in Q1 2016.

### **36. Approval of financial statements**

The financial statements of the Company were approved by the Board of Directors on the 24 March 2016.

