CITIBANK EUROPE PLC

(Registered Number: 132781)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2008

CITIBANK EUROPE PLC

CONTENTS

Directors and other information	2
Report of the Directors	3
Directors' Responsibilities for Financial Statements	6
Independent Auditors' Report	7
Income statement	9
Balance Sheet	10
Statement of Total Recognised Income and Expense	11
Cash flow statement	12
Notes to the Financial Statements	13

CITIBANK EUROPE PLC

BOARD OF DIRECTORS AND OTHER INFORMATION

DIRECTORS	Francesco Vanni d'Archirafi - Chairman Aidan Brady – Chief Executive Frank McCabe* - Non-Executive Mark Fitzgerald Maurice Doyle* - Non-Executive Brian Hayes Peter Maskrey Tony Woods James Foster Naveed Sultan Shirish Apte Sanjeeb Chaudhuri Mary Lambkin* - Non-Executive (appointed 26th March 2008)
COMPANY SECRETARY	Cecilia Ronan
	** Denotes Audit Committee Members*
REGISTERED OFFICE	1 North Wall Quay, Dublin 1
SOLICITORS	Matheson Ormsby Prentice 70 Sir John Rogersons Quay, Dublin 2
AUDITORS	KPMG Chartered Accountants 1 Harbourmaster Place, IFSC, Dublin 1
BANKERS	Citibank NA, London Branch Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

CITIBANK EUROPE PLC

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements of Citibank Europe plc ("the Company") for the year ended 31 December 2008.

Principal activities and business review

The Company, which was granted a banking licence by the Central Bank of Ireland under Section 9 of the Central Bank Act 1971, provides corporate and investment banking services to clients on a worldwide basis. The Company's head office is in Dublin, with a branch and one subsidiary operation in Poland and a branch in the Czech Republic.

The past year has been a period of substantial turbulence in financial markets. In spite of these disruptions the Company continued to perform well. The profit before tax of the Company for the year amounted to €532million (2007: €373million). After tax, the Company made a profit for the year of €472million (2007: €326million). No interim dividends were paid by the Company during the year and the Directors do not recommend the payment of a final dividend. A key performance indicator for the Company is its cost/income ratio, which is calculated by dividing administrative expenses and other operating costs by operating income. In 2008 the Company's cost/income ratio was 36% (2007: 32%). Excluding the Czech branch acquisition, the cost/income ratio for 2008 is 26%.

Market disruptions have increased the risk of customer and or counterparty delinquency or default and the Company has experienced write-downs of its financial instruments and other losses related to volatile and illiquid market conditions. Note 26 of the financial statements provides information on some of the key risks to which the Group is exposed.

The Company's strategy continues to be to take advantage of global opportunities for the further development of its business. During 2009 the Company's businesses will continue to be affected by the levels of and volatility in the global capital markets and economic and political developments.

Income
Total operating income was €827.9 million, a 50% increase on the previous year. Net interest income increased from €98.8 million to €229.0 million, driven by increased interest from the placement of capital and the inclusion of the Czech branch which added €102 million to net interest income.

Costs
Operating expenses increased 66% year on year to €296.3 million. This was primarily due to the inclusion of the Czech branch which added €108million to operating expenses.

Balance sheet
Total assets of €12.9 billion at 31 December 2008 were 89% higher than at 31 December 2007 largely due to the inclusion of the Czech branch, which increased total assets by €5.1 billion. Intergroup exposures represent €7.9 billion of total assets.

Financial instruments

The financial risk management objectives and policies and the exposure to price risk, credit risk, and liquidity risk of the Company and its subsidiary undertakings have been disclosed in the Risk Management policies on pages 36 to 50.

Research & Development

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

Prior year adjustment

The 2007 comparatives have been adjusted to reflect the Company's adoption of IFRIC 11 which relates to the accounting for share based payments. Please refer to note 24 " Share based incentive plans", for further details.

Acquisitions

On 1 January 2008, the Company opened a branch in the Czech Republic by acquiring the operations of another group company. The Fair Value of the acquired operations was €600 million which includes a goodwill component of €282 million. The Company issued 908,846 shares of €1 each which represents full consideration for the acquired operations.

Disposals

On 15 December 2008, the Company disposed of Forum Financial Company Polska Sp. Zo.o (FFGP) to a third party resulting in a loss of €989,000.

Overseas branches

The Company operates branches in Poland and the Czech Republic. On 1 January 2009 the Company opened branches in Hungary, Slovakia and Romania by acquiring the existing businesses of other Citigroup entities.

Directors, secretary and their interests

The names of the Directors and Secretary who held office at 31 December 2008 were as follows:

Francesco Vanni d'Archirafi (Chairman)
Aidan Brady (Chief Executive Officer)
Maurice Doyle
Frank McCabe
Mark Fitzgerald
Brian Hayes
Peter Maskrey
Tony Woods
James Foster
Shirish Apte
Sanjeeb Chaudhuri
Naveed Sultan
Mary Lambkin (appointed 26th March 2008)
Cecilia Ronan (Company Secretary)

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

REPORT OF THE DIRECTORS

Directors, secretary and their interests (continued)

Director/secretary	31 December 2008 Common stock	31 December 2007 Common stock
Francesco Vanni d'Archirafi	**119,837**	**42,923**
Aidan Brady	**52,192**	**29,830**
Frank McCabe	**13,850**	**1,350**
Mark Fitzgerald	**7,072**	**4,164**
Maurice Doyle	**-**	**-**
Brian Hayes	**22,226**	**20,442**
Peter Maskrey	**23,162**	**14,505**
James Foster	**33,154**	**26,154**
Naveed Sultan	**24,318**	**24,180**
Tony Woods	**5,207**	**3,978**
Sanjeeb Chaudhuri	**42,814**	**18,587**
Shirish Apte	**81,354**	**52,984**
Mary Lambkin	**3,000**	**-**
Cecilia Ronan (Company Secretary)	**1,395**	**277**

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

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

		During the year			
Director/secretary	**at 31 December 2007***	**Granted**	**Exercised/ lapsed**	**at 31 December 2008**	**Exercise Price US$**
Francesco Vanni d'Archirafi	81,718	-	-	81,718	21-50
Aidan Brady	19,992	-	-	19,992	41-49
Mark Fitzgerald	2,803	-	(1,287)	1,516	21-42
Brian Hayes	2,287	-	-	2,287	41
Peter Maskrey	27,405	-	-	27,405	21-50
James Foster	58,333	-	-	58,333	42-50
Naveed Sultan	66,768	-	-	66,768	21-49
Sanjeeb Chaudhuri	69,206	49,685	(8,578)	110,313	32-50
Shirish Apte	191,124	-	(43,018)	148,106	21-50
Tony Woods	300	-	-	300	51
Cecilia Ronan (Secretary)	-	-	-	-	-

Notes:

(a) Options outstanding, once vested, are exercisable at the discretion of the holders.

(b) Details of the Share Option Scheme are contained in the financial statements of Citigroup Inc. The middle market price of Citigroup Inc. common stock at 31 December 2008 was US$6.71 (2007: US$29.44) and during the calendar year ended 31 December 2008, the closing price ranged from a low of US$3.77 (2007: US$29.44) to a high of US$29.69 (2007: US$55.24).

* or date of appointment, if later.

REPORT OF THE DIRECTORS

Directors' responsibilities for financial statements

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

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

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

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

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2006.

Accounting records

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

Auditors

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

On behalf of the board: 25 March 2009

Aidan Brady Maurice Doyle Frank McCabe Cecilia Ronan

CITIBANK EUROPE PLC

Director	Director	Director	Secretary

Independent Auditors' Report to the Members of Citibank Europe plc

We have audited the financial statements of Citibank Europe plc for the year ended 31 December 2008 which comprise of the Income statement, Balance Sheet, Cash Flow Statement, Statement of Recognised Income & Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and independent auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards adopted by the E.U. are set out in the Statement of Directors' Responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2006. We also report to you whether, in our opinion: proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company's financial statements are in agreement with the books of account.

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

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

Basis of audit opinion

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

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

Independent Auditors' Report to the Members of Citibank Europe plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006.

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

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

KPMG
Chartered Accountants
Registered Auditor
1 Harbourmaster Place
IFSC
Dublin 1

25 March 2009

CITIBANK EUROPE PLC

INCOME STATEMENT

For the year ended 31 December

* Restated – please refer to note 5.

The financial statements were approved by the Board of Directors on 25 March 2009 and signed on their behalf by:

Aidan Brady	Maurice Doyle	Frank McCabe	Cecilia Ronan
Director	Director	Director	Secretary

BALANCE SHEET

For the year ended 31 December

* Restated – please refer to note 20 for further details.

The financial statements were approved by the Board of Directors on 25 March 2009 and signed on their behalf by:

Aidan Brady	Maurice Doyle	Frank McCabe	Cecilia Ronan
Director	Director	Director	Secretary

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December

* Restated – please refer to note 23 for further details.

COMPANY CASH FLOW STATEMENT

For the year ended 31 December

* Restated – please refer to note 20 for further details.

The financial statements were approved by the Board of Directors on 25 March 2009 and signed on their behalf by:

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The accounting policies applied are set out below:

a) Reporting entity

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

b) Basis of presentation

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

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

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

- IFRIC 11 ‘IFRS 2: Group and Treasury Share Transactions’. See note 24 for the impact of this adoption.

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

- IFRS 8 ‘Operating Segments’ is effective for periods beginning after 1 January 2009. The Group expects to adopt the standard effective from 1 January 2009 and will present segmental information which reflects the operating segments used to make operating decisions at that time;
- Revised IFRS 3 ‘Business Combinations, is effective from 1 January 2010 and will be applied prospectively and therefore have no impact on prior periods financial results; and
- Revised IAS 1 ‘Presentation of Financial Statements’ is effective for periods beginning after 1 January 2009. This will have an impact on the presentation of the financial statements as the Company plans to provide total comprehensive income in a single statement (effectively combining the income statement and all non-owners changes in equity in a single statement).

c) Functional and presentation currency

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

d) Net interest income

Interest income and expense on financial assets and liabilities are 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 using the effective interest rate.

Interest income and expense presented in the income statement include:

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

e) Fees and commissions

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

Other fees and commission income, including transaction processing fees, account servicing fees, transaction processing fees, sales commission, placement fees and syndication fees, are recognised on an accruals basis as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

f) Trading income

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

h) Financial assets and liabilities

Trading assets
Trading assets and liabilities are acquired principally for the purpose of selling in the near term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking. Trading assets are initially and subsequently measured at fair value. Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in fair value are reported in net income on items at fair value through profit and loss. The Company uses trade date accounting when recording trading assets.

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

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

Other assets primarily comprise amounts receivable in relation to non pre-funded payments arising from the Company's Worldlink Multi-Currency Transaction Services business and are measured at cost.

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

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

h) Financial assets and liabilities (continued)

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

Available-for-sale investment securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investment securities are initially recognised at fair value including directly attributable costs, and subsequently measured at fair value with the changes in the fair value reported as a separate component of equity. The translation of gains and losses on foreign currency debt securities is taken directly through the income statement. When available-for-sale debt securities are sold or impaired the cumulative gain or loss previously recognised in equity is transferred to the income statement and disclosed within investment income.

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

Financial liabilities
Deposits by banks, customer accounts, accruals and deferred income, debt securities in issue and other liabilities are measured at amortised cost. Other liabilities is primarily made up of amounts payable to both intercompany and third party organisations arising from the Company's Worldlink Multi-Currency Transaction Services business.

i) Impairment of financial assets

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

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

  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

i) Impairment of financial assets (continued)

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

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

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

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

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

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

j) De-recognition of financial assets and liabilities

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

k) Shares in subsidiary undertakings

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

l) Property and equipment

Items of property and equipment are stated at cost, less accumulated depreciation and impairment losses (see below). Depreciation is provided to write off the cost, less the estimated residual value of each asset, on a straight-line basis over their estimated useful lives. Estimated useful lives of vehicles, furniture and equipment are between 1 and 7 years.

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

m) Goodwill and intangible assets

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

(ii) Other intangible assets
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled
by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

The cost of developed software includes directly attributable internal and external costs. 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 years.

n) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its goodwill & intangible assets or property and equipment are impaired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstance indicate that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each primary reporting segment represents a cash-generating unit. Impairment losses in respect of goodwill are not reversed. Impairment losses are recognised in the income statement.

o) Income Taxes

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

Deferred tax assets and liabilities are recognised for taxable and deductible temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that there will be suitable profits available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the balance sheet date.

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

p) Foreign currencies

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

q) 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.

r) Share based incentive plans

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

Change in accounting policy
On 1 January 2008 the Company adopted "IFRIC 11, Group and Treasury Share Transactions" which resulted in the Company moving to equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc. Previously the Company applied cash-settled accounting to the combination of the share based incentive plans and the associated obligation to Citigroup Inc. The Company now recognises the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from Citigroup Inc. All amounts paid to Citigroup Inc and the associated obligations are recognised in equity over the vesting period. Subsequent changes in the fair value of all unexercised awards and the SPAPA are reviewed annually and any changes in value are recognised in equity, again over the vesting period. Previously such amounts were recognised in the income statement over the vesting period.

On 1 January 2008 the Company early adopted the change in IFRS 2 clarifying the treatment of vesting conditions and cancellations of share based incentive awards. Under Citi's share based incentive plan, 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.

s) Accounting for government grants

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

t) Cash and cash equivalents

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

u) *Provisions*

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

v) *Foreign operations*

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

w) Operating Leases

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

2. Use of assumptions and estimates

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

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

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

Valuation of financial instruments
The Company's accounting policy for valuation of financial instruments is included in Note 1(h).

Share-based incentive plans
The assumptions used are disclosed in Note 24 "Share-based incentive plans".

NOTES TO THE FINANCIAL STATEMENTS

3. Net interest income

4. Net trading income

5. Personnel expenses

The average number of persons employed by the Company during the year was 1,795 (2007: 889).

The Company operates a number of defined contribution pension schemes. During the year contributions of €3,429,000 (2007: € 2,131,000) were made to the scheme. The assets of the scheme are held separately from those of the Company in an external independently administered fund. Contributions of € NIL (2007: NIL) were payable to the scheme at the year-end.

* Employee remuneration in 2007 was restated to €50,859,000 from €49,175,000 as a result of the adoption of IFRIC 11, Group and Treasury Share Transactions, in the current year.

NOTES TO THE FINANCIAL STATEMENTS

6. General administrative expenses

Profit before tax is arrived at after charging for:

7. Dividend Income

During 2008, the Company received a dividend from its Polish subsidiary, Obsluga Funduszy Inwestycyjnych Sp. Zo.o of €14,789,997.

8. Directors' emoluments

NOTES TO THE FINANCIAL STATEMENTS

9. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

(b) Factors affecting tax charge for the year:

* Restated due to adoption of IFRIC 11.

NOTES TO THE FINANCIAL STATEMENTS

10. Business Combinations

On 1st January 2008, the Company acquired the assets and liabilities of Citibank a.s. ("the Branch") at a fair value of €600 million, which includes a goodwill component of €282 million. The Company issued share capital of 908,846 €1 shares in respect of this transaction. The Branch provides corporate and consumer banking products and services in the Czech Republic. The Branch contributed a profit of €22 million for 2008.

11. Cash and cash equivalents

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

12. Trading Assets

NOTES TO THE FINANCIAL STATEMENTS

13. Financial Assets and Liabilities

2008
€ 000

2007
€ 000

13. Financial Assets and Liabilities (continued)

Having taken into account impairment provisions on the Company's third party credit exposures, the directors are of the opinion that the carrying value of financial instruments held at amortised cost is a reasonable approximation of fair value.

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

Investment securities classified as available-for-sale 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.

14. Investment securities

Investment securities are primarily composed of OECD government securities.

Included in investment securities available for sale are securities lent under repurchase agreements with a fair value of €50,991,000 (2007: nil).

NOTES TO THE FINANCIAL STATEMENTS

15. Shares in subsidiary undertakings

During 2008, the Company disposed of its shareholding in Forum Financial Company Polska Sp. Zo.o. and entered into an agreement with the purchaser for the provision of Transfer Agency services. Prior to this sale a capital

contribution of €1,764,000 was made to the subsidiary. The inclusion of the leaseback transaction (note 27) and its associated cash flows resulted in a net loss on sale of €998,000. This loss is being amortised to the income statement over the life of the contract.

In the opinion of the Directors, at year-end the value of shares in the remaining subsidiary undertaking, which is not a listed entity, was not less than its carrying value. Details of the subsidiary undertaking held at 31 December 2008 which is wholly owned, are as follows;

Name	Country of incorporation	Nature of business	Year end	Registered office
				Note
Obsluga Funduszy Inwestycyjnych Sp. Zo.o	Poland	Funds Administration Services	31 December	(a)

(a) ul. Cybernetyki 21, 02-677 Warsaw, Poland

NOTES TO THE FINANCIAL STATEMENTS

16. Property and equipment-

The addition of the Czech branch to the Company's operations added €5.6 million of tangible fixed assets to the Company's balance sheet at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

17. Goodwill and Intangible assets

The goodwill arose during 2008 as a result of the opening of the Branch in Czech Republic. The fair value of the acquired operations was €600 million which includes a goodwill component of €282 million. The Company issued share capital of 908,846 €1 shares in respect of this transaction. The management are of the opinion that there was no impairment of the goodwill and as such no impairment loss has been recorded.

NOTES TO THE FINANCIAL STATEMENTS

18. Derivative Financial Instruments

19. Debt Securities Issued

	2008 € 000	2007 € 000
Fixed rate notes	13,364	-
	13,364	-

The debt securities are promissory notes with maturity dates of less than 2 years.

20. Other Liabilities

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

* Other balances were restated in 2007 to €44,268,000 from €43,798,000 due to the adoption of IFRIC 11, Group and Treasury Share Transactions, in the current year.

21. Deferred tax asset

The deferred tax asset relates to the application of IFRIC 11 in the current year and also the acquisition of the assets and liabilities of the Branch.

22. Called up share capital

Authorised	**2008**	**2007**
	€ '000	**€ '000**
5,000,000,000 common stock of €1 each	5,000,000	5,000,000

Allotted, called-up and fully paid	**2008**	**2007**
	€ '000	**€ '000**
7,460,431 (2007: 6,551,585) common stock of €1 each	7,460	6,552

The increase in allotted share capital is due the opening of the Czech branch. Please see note 10 for further details.

23. Reserves

Capital contributions arise from contributions from the Company's intermediate parent undertaking, Citibank Overseas Investment Corporation, of which €279,538,000 forms part of the Company's distributable reserves. Share capital and share premium increased during the year due to the acquisition of the assets and liabilities of Citibank a.s.

Fair value reserves arise from changes in the fair value of Government bonds, which are held as securities available for sale (note 14).

* restated for the adoption of IFRIC 11.

24. Share-based incentive plans

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

Stock option programme

The Company participates in a number of Citigroup stock option programmes for its employees. Generally, since January 2005, stock options have been granted only to Citigroup's Capital Accumulation Programme ('CAP') participants who elect to receive stock options in lieu of restricted or deferred stock awards. All stock options are granted on Citigroup common stock with exercise prices equal to the fair market value at the time of grant. Options granted since January 2005 typically vest 25% each year over four years and have six-year terms. Options granted in 2004 and 2003 typically also have six-year terms but vest in thirds each year over three years, with the first vesting date occurring 17 months after the grant date. The sale of underlying shares acquired through the exercise of employee stock options granted since 2003 is restricted for a two-year period. Prior to 2003, Citigroup options, including options granted since the date of the merger of Citicorp and Travelers Group, Inc., generally had a 10 year term and vested at a rate of 20% per year over five years, with the first vesting occurring 12 to 18 months following the grant date.

Certain options, mostly granted prior to 1 January 2003, permit an employee exercising an option under certain conditions to be granted new options (reload options) in an amount equal to the number of common shares used to satisfy the exercise price and the withholding taxes due upon exercise. The reload options are granted for the remaining term of the related original option and vest after six months. An option may not be exercised using the reload method unless the market price on the date of exercise is at least 20% greater than the option exercise price.

Information for the Company with respect to stock option activity in 2008 and 2007 under Citigroup stock option plans is as follows:

	2008		2007	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Outstanding, beginning of year	76,765	39.86	130,216	33.00
Granted	10,502	24.45	5,211	54.38
Forfeited	(4,105)	32.12	(1,699)	44.35
Exercised	(7,165)	22.05	(54,819)	24.58
Transfers	112,001	41.86	(2,144)	45.83
Expired	(4,075)	21.92	-	-
Outstanding, end of year	183,923	41.46	76,765	39.86
Exercisable, end of year	167,812	42.14	69,744	38.54

The weighted average share price at the exercise date for options exercised during the year was $26.46 (2007: $49.97).

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based incentive plans (continued)

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

		Options outstanding		Options exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average contractual life remaining**	**Weighted average exercise price**	**Number Exercisable**	**Weighted average exercise price**
< $30.00	49,002	5.06	24.45	-	-
$30.00 - $39.99	46,030	0.12	32.06	46,030	32.06
$40.00 - $49.99	254,247	1.97	45.41	248,502	45.35
≥ $50.00	6,708	4.04	54.38	1,694	54.39
	355,987	2.19	40.97	296,226	43.34

The following table summarises the information about stock options outstanding under Citigroup stock option plans at 31 December 2007:

		Options outstanding		Options exercisable	
Range of exercise prices	**Number outstanding**	**Weighted Average contractual life remaining**	**Weighted average exercise price**	**Number Exercisable**	**Weighted average exercise price**
			$		$
< $30.00	210,052	0.79	22.59	210,052	22.59
$30.00 - $39.99	84,176	1.12	32.29	84,176	32.29
$40.00 - $49.99	443,115	3.00	44.98	431,663	44.90
≥ $50.00	62,699	2.57	54.36	45,060	54.35
	800,042	2.19	38.50	770,951	38.00

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based incentive plans (continued)

Stock award programme

The Company participates in the Citigroup CAP programme, under which shares of Citigroup common stock are awarded in the form of restricted or deferred stock to participating employees. For all stock award programmes, during the applicable vesting period, the shares awarded cannot be sold or transferred by the participant, and the award is subject to cancellation if the participant's employment is terminated. After the award vests, the shares become freely transferable. From the date of award, the recipient of a restricted stock award can direct the vote of the shares and receive regular dividends. Recipients of deferred stock awards receive dividend equivalents, but cannot vote.

Stock awards granted in January 2008, 2007, 2006 and 2005 generally vest 25% per year over four years. Stock awards granted in 2003 and 2004 generally vest after a two or three year vesting period.

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

	2008	**2007**
Shares awarded	822,240	46,285
Weighted average fair market value per share	$26.33	$54.46
Compensation cost charged to earnings	€2,910,469	2,771,940
Total carrying amount of equity-settled transaction liability	€183,780	€1,712,316
Total intrinsic value of liability for vested benefits	€NIL	€56,779
Fair value adjustments recorded to equity	€4,372,343	€2,230,904

Fair value assumptions

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

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

Additional valuation and related assumption information for Citigroup option plans is presented below. Citigroup used a model to value stock options. Volatility has been estimated by taking the historical implied volatility in traded Citigroup options over a recorded 31 month period and adjusting where there are known factors that may affect future volatility.

NOTES TO THE FINANCIAL STATEMENTS

24. Share-based incentive plans (continued)

For options granted during	2008	2007
Weighted average fair value		
Option	$0.18	$0.66
Weighted average expected life		
Original grants	3.03 years	6 years
Reload grants	2.65 years	2 years
Option life	2.98 years	6 years
Valuation assumptions		
Expected volatility	42.96%	26.27%
Risk-free interest rate	0.72%	3.14%
Expected dividend yield	0.60%	4.48%
Expected annual forfeitures	7.58%	7.37%

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

25. Contingent liabilities and commitments

The following tables give the nominal principal amounts and risk weighted amounts of contingent liabilities and commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with Irish Financial Regulator guidelines on capital adequacy.

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

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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management

Objectives, policies and strategies

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

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

- **Loans and deposits**: Loans and deposits form a large part of the Company's business. The Company has detailed policies and strategies in respect of its customer loans and deposits that seek to minimise the risks associated with these financial instruments.

- **Investment securities**: The Company holds securities, excluding strategic investments, for use on a continuing basis in the Company's activities. The objective of holding such financial instruments is primarily to hedge interest rate exposure and to manage cash positions.

- **Hedging**: Where financial instruments form part of the Company's management strategy they are classified as economic hedges. The objective for holding financial instruments as hedges is to match or minimise the risk arising because of adverse movements in interest rates or exchange rates. Cash products are the main instruments used for economically hedging the balance sheet.

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

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

Risk management

In addition to the risk management changes that were put in place to support Citibank Europe plc's Central European branch network from a credit, market and operational risk perspective, changes were also made to the Citigroup risk management organisation in 2008 to facilitate the management of risk across three dimensions: businesses, regions and critical products. Each of the major business groups has a Business Chief Risk Officer who is the focal point for risk decisions (such as setting risk limits or approving transactions) in the business. These changes directly affected the risk management within the Company.

There are also Regional Chief Risk Officers, accountable for the risks in their geographic area, and who are the primary risk contact for the regional business heads and local regulators. In addition, the position of Product Chief Risk Officer was created for those areas of critical importance to Citigroup such as real estate, structured credit products and fundamental credit. The Product Risk Officers are accountable for the risks within their specialty and they focus on problem areas across businesses and regions. The Product Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers, to better enable the Business and Regional Chief Risk Officer to focus on the day-to-day management of risks and responsiveness to business flow.

Risk management (continued)

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

- the risk capital group, which continues to enhance the risk capital model and ensure that it is consistent across all our business activities;
- the risk architecture group, which ensures we have integrated systems and common metrics, and thereby allows us to aggregate and stress exposures across the institution;
- the infrastructure risk group, which focuses on improving our operational processes across businesses and regions; and
- the office of the Chief Administrative Officer, which focuses on re-engineering risk communications and relationships, including our critical regulatory relationships.

Risk aggregation and stress testing

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

During 2008, comprehensive stress tests were implemented across Citigroup mark-to-market, available-for-sale, and accrual portfolios. These firm-wide stress reports measure the potential impact to the Group and its component businesses including the risk within the Group of very large changes in various types of key risk factors (e.g., interest rates, credit spreads), as well as the potential impact of a number of historical and hypothetical forward-looking systemic stress scenarios.

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

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

Along with the processes described above, the following sections summarise the instruments that were in place during 2008 for managing the Company's risk.

- **Swaps**: These are over–the–counter ("OTC") agreements between two parties to exchange payments for the change in value of currencies, over a set period based on notional principal amounts. Cross currency swaps are the exchange of interest based on notional values of different currencies.

- **Options**: Currency, equity and interest rate options confer the right, but not the obligation, on the buyer to receive or pay a specific quantity of an asset or financial instrument for a specified price at or before a specified date. Options may be exchange traded or OTC agreements.

- **Futures and forwards**: Short term interest rate futures and forward foreign exchange contracts are all agreements to deliver, or take delivery of a specified amount of an asset or financial instrument based on the specified rate, price or index applied against the underlying asset or financial instrument, at a specified date. Futures are exchange traded at standardised amounts of the underlying asset or financial instrument. Forward contracts are OTC agreements and are principally dealt in by the Group in interest rates as forward rate agreements and in currency as forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Market risk

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

changes in market interest rates. Other price risk is the risk to fair value or future cash flows because of changes in market prices other than currency risk and interest rate risk.

Market risk management

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

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

Trading price risk

Overall objectives

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

VaR Methodology

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

VaR limitations

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

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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Market risk management (continued)

The following table summarises trading price risk by disclosing the Company's average exposure of its trading book to VaR during the reporting period, together with the exposure as at 31 December:

Non-trading price risk

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

Interest rate risk

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

Sensitivity of net interest income
(for 100 basis point parallel increase)

	2008		2007	
Currency	**12 Month**	**5 Year**	**12 Month**	**5 Year**
	€'000	**€'000**	**€'000**	**€'000**
EUR	1,108	818	1,427	2,501
USD	(438)	(1,395)	(590)	(553)
GBP	123	380	82	312
OTHER	(467)	(567)	124	470

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

Currency risk

As mentioned above, it is the policy of the Company to reduce FX risk that may arise in the normal course of business.
The Company deals in financial instruments in a number of currencies, principally Euro and US dollars, and open currency positions arise for funding mismatches and accruals of interest and expense provisions in currencies other than Euro. Treasury monitors daily open foreign currency positions ensuring that exposure is less than agreed allocated limits. The below table shows the Company's balance sheet by currency

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Market risk management (continued)

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

Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Liquidity risk (continued)

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

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

2008	**1 year and less € 000**	**>1 year and <5 years € 000**	**Greater than 5 years € 000**	**No fixed maturity**	**Total € 000**
Assets					
Cash and balances at central banks	152,233	-	-	-	152,233
Loans and advances to banks	7,812,566	530,859	-	-	8,343,425
Loans and advances to customers	1,052,020	349,053	46,663	-	1,447,736
Debt Securities	213,853	202,865	56,937	-	473,655
Derivative financial instruments	1,765,250	-	-	-	1,765,250
Trading assets	-	9,723	12,149	-	21,872
All other assets	378,521	-	17,444	304,786	700,751
Total assets	11,374,443	1,092,500	133,193	304,786	12,904,922
Liabilities					
Deposits by banks	2,750,522	1,361	-	-	2,751,883
Customer accounts	4,456,351	157	-	-	4,456,508
Derivative financial instruments	1,734,900	-	-	-	1,734,900
Debt securities in issue	6,827	6,537	-	-	13,364
All other liabilities	1,440,832	-	-	-	1,440,832
Equity	-	-	-	2,507,435	2,507,435
Total liabilities and equity	10,389,432	8,055	-	2,507,435	12,904,922
2008 net liquidity gap	985,011	1,084,445	133,193	-	-
Commitments (note 25)	1,974,097	458,126	7,875,185	-	10,307,407

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Liquidity risk (continued)

2007	1 year and less € 000	>1 year and < 5 years € 000	Greater than 5 years € 000	No fixed maturity	Total € 000
Assets					
Cash and balances at central banks	3,388	-	-	-	3,388
Loans and advances to banks	5,794,204	375,004	19,360	-	6,188,568
Loans and advances to customers	61,282	180,129	2,106	-	243,517
Debt securities	130,330	-	-	-	130,330
All other assets	260,632	-	-	6,643	267,275
Total assets	6,249,836	555,133	21,466	6,643	6,833,078
Liabilities					
Deposits by banks	2,244,544	2,722	-	-	2,247,266
Customer accounts	1,756,215	-	-	-	1,756,215
All other liabilities *	1,401,725	-	-	-	1,401,725
Equity	-	-	-	1,427,872	1,427,872
	-				
Total liabilities and equity	5,402,484	2,722	-	1,427,872	6,833,078
2007 net liquidity gap	847,352	552,411	21,466	-	-
Commitments	1,023,393	-	7,973,339	-	8,996,732

* Restated – please refer to note 20

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Liquidity risk (continued)

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

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

2007	1 year and less € 000	>1 year and < 5 years € 000	Greater than 5 years € 000	No fixed maturity	Total € 000
Liabilities					
Deposits by banks	2,356,308	2,842	-	-	2,359,150
Customer accounts	1,843,664	-	-	-	1,843,664
All other liabilities	1,471,522	-	-	-	1,471,522
Equity	-	-	-	1,427,872	1,427,872
	-				
Total liabilities	5,671,494	2,842	-	1,427,872	7,102,209

Credit risk

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises in many of Citigroup's business activities, including:
- lending;
- sales and trading;
- derivatives;
- securities transactions;
- settlement; and
- when Citigroup acts as an intermediary on behalf of its clients and other third parties.

26. Financial instruments and risk management (continued)

Credit risk (continued)

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

1. Institutional Clients Group

For corporate clients and investment banking activities across the organization, the credit process is grounded in a series of fundamental policies, including:
- joint business and independent risk management responsibility for managing credit risks;
- single centre of control for each credit relationship that coordinates credit activities with that client;
- portfolio limits to ensure diversification and maintain risk/capital alignment;
- a minimum of two authorized-credit-officer signatures are required on extensions of credit , one of which must be from a credit officer in credit risk management;
- risk rating standards, applicable to every obligor and facility; and
- consistent standards for credit origination documentation and remedial management.

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

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

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

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

Exposure is monitored against the approved limits and excesses are automatically identified to an appropriate member of Independent Risk Management.

Escalation processes ensure that larger and aged exceptions are raised to an appropriately Senior Credit Officer.

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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Credit risk (continued)

2. Global Cards and Consumer Banking

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Credit risk (continued)

Third party credit risk

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Credit risk (continued)

Third party credit risk

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Credit risk (continued)

Movement in provisions for impairment balances

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:

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

The collateral held is composed of OECD Government bonds and the directors believe that the carrying amount as disclosed in the above table is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

26. Financial instruments and risk management (continued)

Credit risk (continued)

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

	2008 € 000	2007 € 000
Financial services	10,259,821	6,310,988
Chemicals	75,735	35,971
Engineering / Electronics	337,925	62,138
Food & Drinks industry	108,791	56,656
Transport	77,650	18,530
Construction	23,061	50,123
Oil & Gas	50,942	14,149
Other	492,622	28,786
Consumer	204,493	-
Agriculture	37,960	-
Local government	167	460
Governments & Central banks.	630,566	133,717
	12,299,733	6,711,518

The below table shows credit concentrations by region.

Operational risk management process

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

- Recognised ownership of the risk by the businesses;
- Oversight by independent risk management; and
- Independent review by Audit and Risk Review (ARR).

26. Financial instruments and risk management (continued)

Operational risk management process(continued)

Framework
The Company follows an approach to operational risk which is defined in the Citi Risk and Control Self-Assessment (RCSA)/Operational Risk Policy. The objective of the Policy is to establish a consistent, value-added framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citi.

The Operational Risk standards facilitate the effective communication of operational risk. Information about operational risk, historical losses and the control environment is reported and summarised for the Audit Committee, Senior Management and for the Directors.

Capital management

Regulatory capital

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

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

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

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

	2008 € 000	2007 € 000
Total regulatory capital	1,739,375	1,258,752
Total capital requirements	604,391	285,729
Capital adequacy ratio	17%	35%

The Company has complied with all IFSRA imposed capital requirements throughout the period. The reduction in the Company's capital adequacy ratio is largely due to the opening of the Czech branch.

NOTES TO THE FINANCIAL STATEMENTS

27. Operating Leases commitments

As part of the sale of FFGP, the Company entered into a operating lease agreement for continuing transfer agency services, over a three year period.

28. Related party transactions

The Company is a majority owned subsidiary undertaking of Citibank Holdings Ireland Limited, which is incorporated

in Ireland. The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc., which is incorporated in the United States. The Company defines related parties as the Board of Directors, senior management, their close family members, parent and fellow subsidiaries and associated companies.

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

At 31 December 2008 Other Assets included an amount of €0.6 million (at 31 December 2007 and maximum during the period - €1.2 million) outstanding from a Company director. No provisions have been taken against this amount and no interest amounts were outstanding at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

28. Related party transactions (continued)

NOTES TO THE FINANCIAL STATEMENTS

28. Related party transactions (continued)

	2007		
	Subsidiary undertakings € 000	**Other Citigroup undertakings € 000**	**Total € 000**
Assets			
Loans and advances to banks	-	5,818,746	5,818,746
Prepayments and accrued income	-	72,375	72,375
Other assets	-	97,449	97,449
Liabilities			
Deposits by banks	-	(1,958,228)	(1,958,228)
Accruals and deferred income	-	(9,097)	(9,097)
Other liabilities	-	(340,711)	(340,711)
Income statement			
Interest and similar income	-	252,816	252,816
Interest payable	-	(108,704)	(108,704)
Net fee and commission income	-	245,932	245,932
Administrative expenses	(1,647)	(91,354)	(93,001)

29. Parent companies

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

The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc. Copies of these Company accounts are available to the public and may be obtained from their offices at Document Services, 140 58th Street, Brooklyn, New York, NY. 11220, United States of America.

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

Significant Subsidiaries

The Company had only one subsidiary undertaking at 31 December 2008, wholly owned; Obsluga Funduszy Inwestycyjnych Sp. Zo.o (see note 15).

30. Subsequent events

On 1 January 2009 the Company opened branches in Hungary, Slovakia and Romania for a combined consideration of €533 million by acquiring the existing business of other Citigroup entities. The acquisition was fully paid for through the issue of 1,857,824 ordinary shares of €1 each.

31. Approval of financial statements

The financial statements of the Company were approved by the Board of Directors on 25 March 2009.