CITIBANK EUROPE PLC

(Registered Number: 132781)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2007

CITIBANK EUROPE PLC

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CITIBANK EUROPE PLC

BOARD OF DIRECTORS AND OTHER INFORMATION

DIRECTORS	Francesco Vanni d'Archirafi - Chairman Aidan Brady – Chief Executive Frank McCabe* - Non-Executive Mark Fitzgerald Maurice Doyle* - Non-Executive Brian Hayes Peter Maskrey Tony Woods (appointed 30 May 2007) James Foster Naveed Sultan Shirish Apte (appointed 30 May 2007) Sanjeeb Chaudhuri (appointed 30 May 2007) Daniel Nagy (resigned 27 February 2007)
COMPANY SECRETARY	Cecilia Ronan (appointed 28 September 2007) Tony Woods (resigned 28 September 2007) ** 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 2007.

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 two subsidiary operations in Poland.

The profit before tax of the Company for the year amounted to €375million (2006: €327million). After tax, the Company made a profit for the year of €327million (2006: €286million).
No interim dividends were paid by the Company during the year. 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 2007 the Company's cost/income ratio was 32% (2006: 31%)

The Company continued to perform well during 2007 however the uncertainty of the world economy and financial markets means that the Company could be adversely impacted by a worsening of economic conditions in Ireland or overseas. The company's strategy is to continue to take advantage of opportunities for the further development and expansion of its business.

Income
Total operating income was €551.6 million, a 15 percent increase on the previous year. Net interest income increased from €70.7 million to €98.8 million, driven primarily by increased interest from the placement of capital.

Costs
Operating expenses increased 17 per cent year on year to €176.6 million. This was primarily due to increases in personnel costs and operations and technology charges.

Balance sheet
Total assets of €6.83 billion at 31 December 2007 were 15 per cent lower than at 31 December 2006 largely due to a reduction in loans and advances to banks.

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 31 to 37.

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.

Adoption of International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The Company has adopted all IFRS in existence at 1 January 2007.
Please refer to Note 27 for the effect of transition from Irish Generally Accepted Accounting Policies to IFRS.

Subsequent events

In January 2008, the Company opened a branch within the Czech Republic and acquired the existing business of Citibank a.s.

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REPORT OF THE DIRECTORS (continued)

Overseas branches

The Company operates a branch in Poland.

Directors, secretary and their interests

The names of the Directors and Secretary who held office at 31 December 2007 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
Cecilia Ronan (Company Secretary)

Tony Woods, Shirish Apte & Sanjeeb Chaudhuri were appointed with effect from 30 May 2007.

Daniel Nagy resigned as director with effect from 27 February 2007.

Tony Woods resigned as Company Secretary with effect from 28 September 2007 and Cecilia Ronan was appointed on the same date.

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:

CITIBANK EUROPE PLC

REPORT OF THE DIRECTORS

Directors, secretary and their interests (continued)

Director/secretary	31 December 2007 Ordinary shares	31 December 2006 Ordinary shares
Francesco Vanni d'Archirafi	**42,923**	**37,002**
Aidan Brady	**29,830**	**36,783**
Frank McCabe	**1,350**	**1,350**
Mark Fitzgerald	**4,164**	**3,089**
Maurice Doyle	**-**	**-**
Brian Hayes	**20,442**	**6,579**
Peter Maskrey	**14,505**	**31,303**
James Foster	**26,154**	**30,671**
Naveed Sultan	**24,180**	**8,492**
Tony Woods	**3,978**	**2,950**
Sanjeeb Chaudhuri	**18,587**	**18,587**
Shirish Apte	**52,984**	**52,984**
Cecilia Ronan (Company Secretary)	**277**	**277**

The Company forms part of the 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 2006***	**Granted**	**Exercised/ lapsed**	**at 31 December 2007**	**Exercise Price US$**
Francesco Vanni d'Archirafi	119,245	-	37,527	81,718	21-50
Aidan Brady	43,506	-	23,514	19,992	22-50
Mark Fitzgerald	2,803	-	-	2,803	21-42
Brian Hayes	13,009	-	10,722	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	-	-	69,206	32-50
Shirish Apte	191,124	-	-	191,124	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 2007 was US$29.44 (2006: US$55.70) and during the calendar year ended 31 December 2007, the closing price ranged from a low of US$29.44 (2006: US$44.81) to a high of US$55.24 (2006: US$57.00).

* or date of appointment, if later.

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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: 26 March 2008

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

CITIBANK EUROPE PLC

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 2007 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 2007 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 2007 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

26 March 2008

CITIBANK EUROPE PLC

INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 € 000	2006 € 000
Interest income		283,293	240,392
Interest payable and similar charges		(184,523)	(169,699)
Net interest income	**3**	98,770	70,693
Net fee and commission income		452,813	407,533
Total operating income		551,583	478,226
Personnel expenses	**4**	(55,981)	(43,561)
General and administrative expenses	**5**	(120,661)	(107,498)
Profit on ordinary activities before income tax		374,941	327,167
Income tax expense	**7**	(47,444)	(41,329)
Profit for the financial year	**20**	327,497	285,838

The financial statements were approved by the Board of Directors on 26 March 2008 and signed on their behalf by:

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

CITIBANK EUROPE PLC

BALANCE SHEET

For the year ended 31 December 2007

	Note	2007 € 000	2006 € 000
Assets			
Cash and balances at central banks	**13,23**	3,388	202,010
Loans and advances to banks	**14,23**	6,188,568	6,967,759
Loans and advances to customers	**23**	243,517	503,660
Investment securities - available for sale	**9**	130,330	132,384
Shares in subsidiary undertakings	**10**	5,605	6,689
Property and equipment	**11**	439	305
Intangible assets	**12**	599	596
Other assets	**16**	145,715	112,645
Deferred tax assets	**18**	872	905
Prepayments and accrued income		114,045	133,219
Total assets		6,833,078	8,060,172
Liabilities			
Deposits by banks	**15,23**	2,247,266	3,626,901
Customer accounts	**23**	1,756,215	1,353,811
Other liabilities	**17**	1,365,728	1,926,609
Accruals and deferred income		36,544	50,969
Total liabilities		5,405,753	6,958,290
Equity shareholders' funds			
Share capital	**19**	6,552	6,552
Share premium account	**20**	3,076	3,076
Capital reserves	**20**	279,538	279,538
Fair value reserve	**20**	(3,155)	(1,101)
Retained earnings	**20**	1,141,314	813,817
Total shareholders' funds	**20**	1,427,325	1,101,882
Total liabilities and equity shareholders' funds		6,833,078	8,060,172
Memorandum items			
Commitments			
- other commitments	**22**	8,996,732	9,141,232

The financial statements were approved by the Board of Directors on 26 March 2008 and signed on their behalf by:

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

CITIBANK EUROPE PLC

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	Note	2007 € 000	2006 € 000
Available for sale assets			
- change in fair values transferred to equity	**20**	(2,054)	(1,101)
		(2,054)	(1,101)
Profit for the year	**20**	327,497	285,838
Total recognised income and expense for the year		325,443	284,737

CITIBANK EUROPE PLC

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 € 000	2006 € 000
Cash flow from / (used in) operating activities			
Profit before tax		374,941	327,167
Adjustments to reconcile net profit to cash flow from / (used in) operating activities			
Non-cash items included in net profit and other adjustments:			
Depreciation of property and equipment	**11**	67	148
Amortisation of intangible assets	**12**	344	345
Net changes from investing activities		(217)	2,708
Net (increase) / decrease in operating assets:			
Due from/to banks		(1,579,219)	824,909
Due from/to customers		662,547	232,974
Accrued income, prepaid expenses and other assets		(13,863)	(76,613)
Net increase/(decrease) in operating liabilities:			
Accrued expenses and other liabilities		(622,750)	376,181
Net cash flow from/(used in) operating activities		(1,178,150)	1,687,819
Cash flow from/(used in) investing activities			
Investment income	**9**	-	16,073
Purchase of property and equipment	**11**	(331)	(178)
Net cash flow from investing activities		(331)	15,895
Cash flow from financing activities			
Capital repayment	**10**	1,084	-
Net cash flow from financing activities		1,084	-
Net increase/ (decrease) in cash and cash equivalents		(1,177,397)	1,703,714
Cash and cash equivalents, beginning of the year	**13**	6,880,519	5,176,805
Cash and cash equivalents, end of the year	**13**	5,703,122	6,880,519

The financial statements were approved by the Board of Directors on 26 March 2008 and signed on their behalf by:

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

CITIBANK EUROPE PLC

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 primarily is involved in corporate and investment 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 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.

As required by IFRS1 First-time Adoption of International Financial Reporting Standards, the Company has applied IFRS in preparing its financial statements with effect from 1 January 2006. As permitted by IFRS 1 the Company has not restated its 2006 income statement and balance sheet for the standards relating to financial instruments (IAS 32 Financial Instruments-Disclosure and Presentation and IAS 39 Financial Instruments-Recognition and Measurement).

The transition to IFRS is accounted for in accordance with IFRS 1. The date of transition to IFRS for the Company and the date of the opening IFRS balance sheet was 1 January 2006. Please refer to Note 27 for an explanation of the transition to IFRS.

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. 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 method.

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 account servicing 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.

1. Principal accounting policies (continued)

f) Financial assets and liabilities

The Company recognises financial assets and financial liabilities when it becomes party to a contract. The Company has classified financial assets into the following categories:

- loans and receivables
- available for sale securities
- derivatives

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 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 (held for risk management purposes)
Derivative contracts are carried at their fair value and are initially recognised on the date on which a derivative contract is entered into. Fair values are based on quoted market prices where available. If no quoted price exists for a particular contract, fair value is determined from market prices for its components using appropriate valuation models. Changes in the fair values of derivatives are included in the income statement. The derivatives are not designated in a qualifying hedging relationship.

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

Available-for-sale debt 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 security prices. Available-for-sale debt securities are initially recognised at fair value including directly attributable costs and adjusted for accreted premium or discount on acquisition, less any provision for impairment. Debt securities are 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 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.

Financial liabilities
Deposits by banks, customer accounts, accruals and deferred income and other liabilities are measured at amortised cost. Other liabilities include amounts payable arising from the Company’s Worldlink Multi-Currency Transaction Services business.

1. Principal accounting policies (continued)

g) 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 and 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:

i) adverse changes in the payment status of borrowers in the portfolio; and
ii) 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.

For loans and advances and for assets held to maturity 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 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.

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 decrease the amount of the provision for loan impairment 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 in the income statement.
Where such evidence exists, 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.

1. Principal accounting policies (continued)

i) 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.

j) Shares in subsidiary undertakings

Shares in subsidiary undertakings are shown at cost, less provisions for impairment.

k) Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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.

l) 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.

m) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its intangible assets or property and equipment are impaired. Impairment losses are recognised in the income statement.

n) Income Taxes

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

Deferred tax assets and liabilities are recognised for taxable and deductible temporary differences between the tax bases 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.

1. Principal accounting policies (continued)

n) Income Taxes (continued)

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

m) 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.

n) Employee benefits

Defined contribution plans
The Company operates a defined contribution pension scheme. 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.

o) Share based incentive plans

The Company participates in a number of Citigroup Inc. ("Citigroup") share-based incentive plans under which Citigroup delivers shares to the Company's employees. Pursuant to a separate agreement the Company makes a cash settlement to Citigroup for the value of the share-based incentive awards delivered to the Company's employees under these plans.

The Company accounts for the share-based incentive plans and the associated obligations to make future cash settlement to Citigroup as cash-settled plans.

The fair value of share-based incentive awards is determined at the time of grant using a lattice type valuation model and is expensed over the vesting period, adjusted by an estimate of forfeitures during that period. Subsequent changes in the fair value of all unexercised awards are reviewed annually and any changes in value are recognised in the income statement over the vesting period.

NOTES TO THE FINANCIAL STATEMANTS

1. Principal accounting policies (continued)

p) Accounting for government grants

Grants are credited to the income statement to offset the matching expenditure.

q) 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, amounts due from other banks and short-term trading assets.

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(g). 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 1f.

Share-based incentive plans
The assumptions used are disclosed in Note 21 "Share-based incentive plans".

3. Net interest income

	2007	**2006**
	€ 000	**€ 000**
Interest and similar income		
Loans and advances to banks	261,368	217,993
Loans and advances to customers	14,935	14,873
Investment securities - available for sale	6,990	7,526
	283,293	240,392
Interest expense and similar charges		
Deposits by banks	125,003	129,972
Customer accounts	59,520	39,727
	184,523	169,699
Net interest income	98,770	70,693

CITIBANK EUROPE PLC

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4. Personnel expenses

The average number of persons employed by the Company during the year, all of whom work within the Citi Markets and Banking was 889 (2006: 756).

	2007	2006
	€ 000	**€ 000**
Employee remuneration	49,175	37,800
Other pension costs	2,131	2,019
Social security costs	4,675	3,742
	55,981	43,561

The Company operates a defined contribution pension scheme. During the year contributions of €2,131,000 (2006:€2,019,000) 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 (2006: NIL) were payable to the scheme at the year end.

5. General administrative expenses

	2007	2006
	€ 000	**€ 000**
Research and Development	1,612	1,319
Depreciation	67	148
Amortisation	344	345
Auditors' remuneration		
- audit services	263	249
- audit related services	133	24
- non-audit services	19	273
Other administration expenses	118,223	105,140
	120,661	107,498

6. Directors’ emoluments

	2007	2006
	€ 000	**€ 000**
Aggregate emoluments		
- fees	100	100
- other remuneration, including pension contributions	3,792	2,665
	3,892	2,765

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NOTES TO THE FINANCIAL STATEMENTS

7. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

	2007 € 000	2006 € 000
Current tax:		
Irish corporation tax on profits of the period	(47,411)	(41,051)
Withholding tax	-	(92)
Adjustments in respect of corporation tax for earlier years	-	(156)
Total current tax	(47,411)	(41,299)
Deferred tax:		
Origination and reversal of temporary differences	(2)	61
Losses	(31)	(91)
Total deferred tax (note 16)	(33)	(30)
Tax charge	(47,444)	(41,329)

(b) Factors affecting tax charge for the year:

	2007 € 000	2006 € 000
Profit on ordinary activities before tax	374,941	327,167
Profit multiplied by the standard rate of corporation tax in Ireland of 12.5%	(46,868)	(40,896)
Effects of:		
Capital allowances and other sundry timing differences	27	15
Expenses not deductible for tax purposes	(735)	(268)
Utilisation of losses brought forward	91	91
Foreign tax	-	(92)
Other	74	115
Adjustment to tax charge in relation to previous periods	-	(156)
Tax on dividend income	-	(108)
Income tax expense	(47,411)	(41,299)

8. Derivative financial instruments

	Notional principal amount € '000	Fair value Asset € '000	Fair value Liability € '000
Exchange-rate related contracts			
Forwards	32,564	151	-
Options	37,362	148	-

9. Investment securities available for sale

Debt securities, all of which are held for investment purposes, comprise OECD government securities. These are held at fair value with movements going through equity.

	2007 € '000	2006 € '000
At 1 January	132,384	149,558
Redemption	-	(16,073)
Change in fair value through equity	(2,054)	(1,101)
At 31 December	130,330	132,384

10. Shares in subsidiary undertakings

	2007 € 000	2006 € 000
At 1 January	6,689	9,946
Liquidation	-	(3,257)
Capital repayment	(1,084)	-
At 31 December	5,605	6,689

During 2007 Obsluga Funduszy Inwestycyjnych Sp. Zo.o made a capital repayment of €1,084,000 to the Company. This was a repayment of additional contributions made pursuant to shareholders resolutions passed in November 1998.

In the opinion of the Directors, the value of shares in Company undertakings, none of which is listed, is not less than its carrying value. Details of the subsidiary undertakings held at 31 December 2007, all of which are wholly owned, are as follows;

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

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

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11. Property and equipment

	Vehicles, furniture and equipment € 000
Cost	
At 1 January 2006*	1,217
Additions	178
Write offs	-
At 31 December 2006/ 1 January 2007*	1,395
Additions	331
Write offs	(916)
At 31 December 2007	810
Depreciation	
At 1 January 2006*	942
Charged in year	148
At 31 December 2006/ 1 January 2007*	1,090
Charged in year	67
Write offs	(786)
At 31 December 2007	371
Net book value	
At 31 December 2007	439
At 31 December 2006*	305

* Restated to be consistent with current year

12. Intangible assets

	Computer Software € '000
Cost	
1 January 2006	3,266
Additions	549
Write-offs	(2,779)
At 31 December 2006/ 1 January 2007	1,036
Additions	347
Write-offs	(132)
31 December 2007	1,251
Amortisation and impairment losses	
1 January 2006	2,874
Amortisation	345
Write-offs	(2,779)
At 31 December 2006/ 1 January 2007	440
Amortisation	344
Write-offs	(132)
31 December 2007	652
Net carrying value	
31 December 2007	599
31 December 2006	596

13. Cash and cash equivalents

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

	2007 € 000	2006 € 000
Cash and balances with central banks	3,388	202,010
Loans and advances to banks (Note 23)	5,699,734	6,678,509
	5,703,122	6,880,519

14. Loans and advances to banks

	2007 € 000	2006 € 000
Intercompany	5,818,746	6,703,720
Third party	369,822	264,039
	6,188,568	6,967,759

15. Deposits by banks

	2007 € 000	2006 € 000
Intercompany	1,958,228	3,062,429
Third party	289,038	564,472
	2,247,266	3,626,901

The reduction in deposits by banks is due to a reduction in a placement with Citibank N.A. London which is no longer needed to fund the Company's insurance letter of credit business.

16. Other assets

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

	2007 € 000	2006 € 000
Accounts receivable	145,715	112,645
	145,715	112,645

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17. Other liabilities

	2007 € 000	2006 € 000
Accounts payable	1,320,913	1,904,890
Tax-due within one year	1,017	7,254
Other balances	43,798	14,465
	1,365,728	1,926,609

Accounts payable comprises amounts payable in relation to pre-funded obligations arising from the Company's Worldlink Multi-Currency Transaction Services business.

18. Deferred tax asset

At 1 January 2007	(905)	(935)
Income statement charge	33	30
At 31 December 2007	(872)	(905)

The deferred tax asset relates to timing differences on capital allowances claimed and losses brought forward.

19. Called up share capital

Authorised	**2007** **€ '000**	**2006** **€ '000**
5,000,000,000 ordinary shares of €1 each	5,000,000	5,000,000

Allotted, called-up and fully paid	**2007** **€ '000**	**2006** **€ '000**
6,551,585 ordinary shares of €1 each	6,552	6,552

20. Reserves

	Share capital € 000	Share premium € 000	Capital reserve € 000	Fair value reserve € 000	Retained earnings € 000	Total € 000
At 1 January 2006	6,552	3,076	279,538	-	527,979	817,145
Total recognised income and expense	-	-	-	(1,101)	285,838	284,737
At 31 December 2006	6,552	3,076	279,538	(1,101)	813,817	1,101,882
Share capital issuance						-
Total recognised income and expense	-	-	-	(2,054)	327,497	325,443
At 31 December 2007	6,552	3,076	279,538	(3,155)	1,141,314	1,427,325

Capital contributions arise from contributions from the Company's intermediate parent undertaking, Citibank Overseas Investment Corporation, of which €279,000,000 forms part of the Company's distributable reserves.

Other reserves are resultant of the fair valuing of OECD bonds, which are held as securities available for sale (note 9).

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NOTES TO THE FINANCIAL STATEMENTS

21. 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 programmes

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

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

Information for the Company with respect to stock option activity in 2007 and 2006 under Citigroup stock option plans is as follows:

	2007		2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	130,216	33.00	156,215	31.17
Granted	5,211	54.38	3,653	48.92
Forfeited	(1,699)	44.35	(2,820)	42.97
Exercised	(54,819)	24.58	(25,014)	31.25
Transfers	(2,144)	45.83	(1,818)	22.52
Expired	-	-	-	-
Outstanding, end of year	76,765	39.86	130,216	33.00
Exercisable, end of year	69,744	38.54	122,017	32.08

The weighted average share price at the exercise date for options exercised during the year was $49.97 (2006: $52.29).

21. Share-based incentive plans (continued)

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 (years)**	**Weighted average exercise price**	**Number Exercisable**	**Weighted average exercise price**
< $30.00	11,239	0.73	22.00	11,240	22.00
$30.00 -$39.99	12,260	1.12	32.05	12,260	32.05
$40.00 - $49.99	48,055	2.93	44.46	46,244	44.28
$50.00	5,211	5.05	54.38	-	-
	76,765	2.46	39.86	69,744	38.54

The following table summarises the information about stock options outstanding under Citigroup stock option plans at 31 December 2006:

		Options outstanding		Options exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average contractual life remaining (years)**	**Weighted average Exercise price**	**Number Exercisable**	**Weighted average exercise price**
< $30.00	56,572	1.7	22.06	56,572	22.06
$30.00 - $39.99	17,670	2.1	32.05	17,670	32.05
$40.00 - $49.99	55,974	3.9	44.37	47,775	43.97
≥ $50.00	-	-	-	-	-
	130,216	2.7	33.00	122,017	32.08

21. Share-based incentive plans (continued)

Stock award programme

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

Stock awards granted in January 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. CAP participants may 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.

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

	2007	**2006**
Shares awarded	46,285	23,296
Weighted average fair market value per share	$54.46	$48.77
	€ 000's	**€ 000's**
Compensation cost charged to earnings after payroll taxes	1,087,996	496,850
Total carrying amount of cash-settled transaction liability	1,712,316	3,574,549
Total intrinsic value of liability for vested benefits	56,779	2,236,818

Fair value assumptions

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

Additional valuation and related assumption information for Citigroup option plans is presented below. Citigroup used a lattice - type 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.

21. Share-based incentive plans (continued)

For options granted during	**2007**	**2006**
Weighted average fair value		
Option	$0.66	$9.98
Weighted average expected life		
Original	6 years	7 years
Reload grants	2 years	8 years
Option life	6 years	8 years
Valuation assumptions		
Expected volatility	26.27%	19.21%
US Risk-free interest rate	3.14%	4.83%
Expected dividend yield	4.48%	4.06%
Expected annual forfeitures	7.37%	6.1%

22. Contingent liabilities and commitments

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

	Contract amount 2007 € '000	**Risk weighted amount 2007 € '000**	**Contract amount 2006 € '000**	**Risk weighted amount 2006 € '000**
Commitments				
Undrawn credit lines	545,544	454,849	333,526	281,365
Other commitments:				
- undrawn formal standby letter of credit facilities				
- less than 1 year	962,256	216,898	600,808	193,389
- 1 year and over	7,397,795	1,348,370	8,138,561	911,586
- extended rate commitment	61,137	61,137	68,337	68,337
	8,966,732	2,081,254	9,141,232	1,454,677

Other commitments primarily relate to the Insurance Letters of Credit business and represent the amounts at risk should the contracts be fully drawn upon and the clients default.

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.

23. 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 three 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.

- **AFS investment securities**: The Company holds securities, excluding strategic investments, for use on a continuing basis in the Company's activities.

- **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.

Derivatives are used to economically hedge or modify risk exposures arising on the balance sheet.

- **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.

- **Forwards**: Short term 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 as forward foreign exchange contracts.

23. Financial instruments and risk management (continued)

Risk management

Risks arise from lending and other activities routinely undertaken. The main risks faced by the company are market risk, liquidity risk, credit risk and operational risk. The following sections summarise the processes that were in place during 2007 for managing the Company's major risks.

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.

In the context of the Company's overall business model, capital base, and robust controls around risk, Market Risk is not considered to be material at this time; however there are robust policies concerning each risk type.

Management believe that the carrying amount of the financial assets and financial liabilities is a reasonable approximation of the fair value.

The Company is fully integrated into the overall Citi risk and control framework, balancing senior management oversight with well-defined independent risk management functions. It is the responsibility of the senior management to implement Citi policies and practices, to oversee risk management and to respond to the needs and issues in the bank. The banks current policy is to eliminate any material market risk and to manage any residual exposure through a series of sensitivity analysis, scenario tests and robust controls over calculating, monitoring and reporting results.

Existing businesses do not seek to maintain market risk exposure in order to realise gains and management's policy is to eliminate any material exposure. Due to the nature of the products being managed and the volume of transactions, Market Risk Management grants the Company both foreign exchange and Interest Rate limits to manage any un-hedged exposure.

Interest rate risk

The Company's exposure to interest rate fluctuations on its borrowings and deposits is proactively managed and monitored within approved guidelines. Interest rate risk is measured using, IRE (Interest Rate Exposure) 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.

Interest Rate Exposure Report

	2007		**2006**	
Currency	**12 Month**	**5 Year**	**12 Month**	**5 Year**
€000's				
EUR	1,427	2,501	(149)	640
USD	(590)	(553)	(298)	(166)
GBP	82	312	(68)	(24)
OTHER	124	470	200	525

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 accrual 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 eliminate 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.

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NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments and risk management (continued)

Market risk (continued)

Below is a breakdown of the company's balance sheet by currency;

	2007 € 000	2006 € 000
Denominated in Euro	2,628,379	2,725,111
Denominated in USD	3,522,940	4,697,483
Denominated in other currencies	681,759	637,578
Total assets	6,833,078	8,060,172
Denominated in Euro	2,684,677	2,756,819
Denominated in USD	3,470,367	4,652,590
Denominated in other currencies	678,034	650,763
Total liabilities	6,833,078	8,060,172

Currency exposures

The currency exposure of the company is shown in the following table:

Functional currency of the Company

€'000	2007 USD	GBP	Others	Total
Euro	52,573	3,061	(7,900)	47,734

€'000	2006 USD	GBP	Others	Total
Euro	44,894	(10,402)	(10,897)	23,595

Liquidity risk

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

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

23. Financial instruments and risk management (continued)

Liquidity risk (continued)

2007	3 months or less € 000	> 3 months and < 1 year € 000	>1 year and < to 5 years € 000	Greater than 5 years € 000	Total € 000
Assets					
Cash and balances at central banks	3,388	-	-	-	3,388
Loans and advances to banks	5,699,734	94,470	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	267,275	-	-	-	267,275
Total assets	6,162,009	94,470	555,133	21,466	6,833,078
Liabilities					
Deposits by banks	2,236,069	8,475	2,722	-	2,247,266
Customer accounts	1,754,508	1,707	-	-	1,756,215
All other liabilities and equity	2,829,597	-	-	-	2,829,597
Total liabilities and equity	6,820,174	10,182	2,722	-	6,833,078
2007 net liquidity gap	(658,165)	84,288	552,411	21,466	-

2006	3 months or less € 000	> 3 months and < 1 year € 000	>1 year and < to 5 years € 000	Greater than 5 years € 000	Total € 000
Assets					
Cash and balances at central banks	202,010	-	-	-	202,010
Loans and advances to banks	6,678,509	103,187	169,358	16,705	6,967,759
Loans and advances to customers	411,476	88,465	3,719	-	503,660
Debt securities	132,384	-	-	-	132,384
All other assets	254,359	-	-	-	254,359
Total assets	7,678,738	191,652	173,077	16,705	8,060,172
Liabilities					
Deposits by banks	3,544,359	78,637	3,905	-	3,626,901
Customer accounts	1,272,487	80,747	577	-	1,353,811
All other liabilities and equity	3,079,460	-	-	-	3,079,460
Total liabilities and equity	7,896,306	159,384	4,482	-	8,060,172
2006 net liquidity gap	(217,568)	32,268	168,595	16,705	-

23. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company has established processes for the consistent calculation, measurement, monitoring and reporting of credit risk across all CMB 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.

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:

	2007	**2006**
	€000's	**€000's**
Gross exposure		
- Undrawn credit lines	545,544	333,526
- Formal letter of credit facilities	8,360,051	8,739,369
- Loans and advances	6,432,085	7,471,419
- All Other exposures	279,433	447,039
Total exposure	15,617,113	16,991,353
Collateral held	4,725,937	6,297,671
Net exposure	10,891,176	10,693,682
Risk weighted amount	3,571,607	3,302,234

23. Financial instruments and risk management (continued)

As at year end none of the Company's loans were past due.

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

	2007 **€000's**	**2006** **€000's**
Financial services	6,310,988	7,168,399
Chemicals	35,971	4,582
Engineering	62,138	50,276
Food & Drinks industry	56,656	111,404
Transport	18,530	5,569
Construction	50,123	50,563
Oil & Gas	14,149	19,849
Other	28,786	70,481
Local government	460	102,942
Governments & Central banks.	133,718	334,394
	6,711,518	7,918,458

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).

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.

23. Financial instruments and risk management (continued)

Capital management

Regulatory capital

The Group'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.

There have been no material changes in the Company's management of capital during the period.

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

	2007 **€ 000**	**2006** **€ 000**
Total regulatory capital	1,258,752	951,114
Total capital requirements	285,729	264,179
Capital adequacy ratio	35%	23%

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

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently by those responsible for the operation by Company Risk and is subject to review by the Company Credit Committee or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer term strategic objectives reviewed regularly by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

24. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Holdings Ireland Limited, which is incorporated in Ireland. The largest Company in which the results of the Company are consolidated is that headed by Citigroup Inc., which is incorporated in the United States. The Company defines related parties as the Board of Directors, their close family members, parent and fellow subsidiaries and associated companies.

A number of arms' length transactions are entered into with related parties. 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.

	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)

24. Related party transactions (continued)

	Subsidiary undertakings € 000	Other Citigroup undertakings € 000	Total € 000
Assets			
Loans and advances to banks	-	6,703,720	6,703,720
Prepayments and accrued income	-	39,009	39,009
Other assets	-	23,221	23,221
Liabilities			
Deposits by banks	-	(3,062,429)	(3,062,429)
Accruals and deferred income	-	(20,556)	(20,556)
Other liabilities	-	(378,155)	(378,155)
Income statement			
Interest and similar income	-	212,956	212,956
Interest payable	-	(121,830)	(121,830)
Net fee and commission income	-	199,252	199,252
Administrative expenses	(2,178)	(75,155)	(77,333)

25. Segmental analysis

(i) Classes of business

All revenues and expenses of the Company arise from within the Citi Markets and Banking.

(ii) Geographical analysis of business

No geographical analysis of the Company's business has been presented as the Directors are of the opinion that the Company's operations are global.

26. 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 Citi 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.

27. Approval of financial statements

The financial statements of the Company were approved by the Board of Directors on 26 March 2008.

28. Transition to IFRS

The transition to IFRS did not result in any material change to the recognition and measurement of transactions and balances when compared to Irish GAAP which the Company had used as its basis for preparing the statutory financial until this year. In 2006 the Company adopted FRS 20 Share Based Payments, FRS 23 Foreign Currency Translation, FRS 25 Financial Instruments: Presentation and Disclosure and FRS 26 Financial Instruments: Measurement and Recognition. These standards did result in changes to recognition and measurement of certain financial instruments and also to share based payment transactions.

On adoption of IFRS, the Company adopted IFRS 7 Financial Instruments: Disclosure ('IFRS 7'). IFRS 7 requires enhanced disclosures with respect to credit risk, market risk and liquidity risk. The standard must be retrospectively applied. The Company has made all required disclosures.

29. Subsequent events

During 2008, the Company opened a branch within Czech Republic and acquired the existing business of Citibank a.s.