CitiFinancial Corporation Limited

(Registered Number: 02008955)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

CITIFINANCIAL CORPORATION LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2015

The Directors present their Report and the audited financial statements of CitiFinancial Corporation Limited ("the Company") for the year ended 31 December 2015.

Business environment

The Company is a wholly owned indirect subsidiary of Citigroup Inc. and acts as a holding company for several group subsidiaries operating within the consumer business. The business transacted in the Company falls under the reporting segment of Citi Holdings within Citigroup Inc., which incorporates the Local Consumer Lending businesses.

Citigroup's strategy is to wind down Citi Holdings as soon as practicable in an economically rational manner.

Consolidation

The Company has applied the exemption in section 401 of the Companies Act 2006 from the preparation of consolidated group accounts as the financial results of the Company and its subsidiary undertakings are included in the consolidated group accounts of Citigroup Inc. on a basis that is consistent with the financial reporting requirements of the Companies Act. As such, these financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Citigroup Inc. within which the Company is included are available from the address stated in Note 13 – 'Parent companies'.

Going concern basis

The financial statements have been prepared on a going concern basis taking into account the ultimate reliance on support from the Company's parent. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. In light of the Company's ultimate reliance on the support of the parent, readers may wish to refer to the risk factors impacting Citigroup Inc. from its 2015 annual report, on form 10-K at http://www.citigroup.com/citi/investor/sec.htm.

Further information relevant to the assessment is provided in the following sections of the financial statements:

- principal activities, strategic direction and challenges and uncertainties are described in the Strategic Report;
- a financial summary, including a review of the statement of comprehensive income and the statement of financial position, is provided in the financial results section; and
- objectives, policies and processes for managing liquidity, market, credit and operational risk are described in Note 12 - Financial instruments and risk management.

Dividends

The Company paid a dividend of £nil (2014: £nil) during the year.

Risk management

The financial risk management objectives and policies and the exposure to market risk, liquidity risk and operational risk of the Company have been disclosed in Note 12 - *Financial instruments and risk management.*

CITIFINANCIAL CORPORATION LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2015

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors

The Directors who held office at 31 December 2015 were:

G A Z Caspi (appointed on 13 November 2015)
S J Cumming
J V Mistry (resigned on 13 November 2015)

Directors' indemnity

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

There were no persons employed by the Company during the year and no persons have been employed by the Company since the year end.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Charitable donations and political contributions

The Company made charitable donations and political contributions of £nil during the year (2014: £nil).

CITIFINANCIAL CORPORATION LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2015

Disclosure of information to auditor

In accordance with section 418, Companies Act 2006 and subject to all the provisions of section 418, it is stated by the Directors who held office at the date of approval of this Directors' Report that:

- so far as each is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- each Director has taken all the steps that he/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

S J Cumming
Director

27 September 2016

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 02008955

CITIFINANCIAL CORPORATION LIMITED

STRATEGIC REPORT
for the year ended 31 December 2015

The Directors present their Strategic Report of the Company for the year ended 31 December 2015.

Overview and principal activities

The Company is a wholly owned indirect subsidiary of Citigroup Inc. and acts as a holding company for several group subsidiaries and an associate undertaking operating within the consumer business. The business transacted in the Company falls under Citi Holdings within Citigroup Inc. Citigroup's strategy is to wind down Citi Holdings as soon as practicable in an economically rational manner.

Business Review and financial results

The main challenge facing the Company is the recoverability of its investments in associates. During the year the Company impaired its holdings in CitiFinancial Holdings Limited (CFHL) as the investment in this entity was no longer considered fully recoverable by the management of the Company. This resulted in a £23.3 million (2014: £nil) impairment loss being recognised in the income statement.

Profit and loss

The Company made a loss after tax for the year of £23.0 million (2014: £0.3 million profit). The loss in the current year was driven by impairment recognised on its investment.

Balance sheet

Total net assets of the Company amounted to £285.1 million (2014: £308.0 million). This decrease was driven by the increase of impairment recognised on Company's investment in associate undertakings.

Key Performance Indicators

The Company's Directors consider that the financial results indicated above are the key financial performance indicators for the operations of the Company.

Citigroup Inc. manages its operations on a divisional basis and the Company's results are included in the global consumer group results of Citigroup Inc. For that reason, the Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal Risks

The Company and its investments continue to be faced with the ongoing uncertainty surrounding the United Kingdom economy combined with the numerous regulatory initiatives underway both in the United Kingdom and globally.

The mis-selling of PPI by financial institutions in the UK has been, and continues to be, the subject of intense review and focus by UK regulators, particularly the FCA. The FCA has found certain problems across the industry with how these products were sold, including customers not realising that the cost of PPI premiums was being added to their loan or PPI being unsuitable for the customer.

PPI is designed to cover a customer's loan repayments if certain events occur, such as long-term illness or unemployment. Prior to 2008, certain of Citi's legacy UK consumer finance businesses, including CFHL's subsidiary, CitiFinancial Europe Plc (CFE), and an associate undertaking of CFHL, Canada Square Operations Limited (CSOL), engaged in the sale of PPI.

While Citi has completed its disposal of these businesses, Citi generally remains subject to customer complaints for, and retains the potential liability relating to, the sale of PPI by these businesses.

CITIFINANCIAL CORPORATION LIMITED

STRATEGIC REPORT
for the year ended 31 December 2015

Principal Risks (continued)

During the fourth quarter of 2014, the UK Supreme Court issued a ruling in a case (Plevin) involving PPI pursuant to which the court ruled, independent of the sale of the PPI contract, the PPI contract at issue in the case was "unfair" due to the high sales commissions earned and the lack of disclosure to the customer thereof. During the fourth quarter of 2015, the FCA issued a consultation paper that proposed (1) a deadline for PPI complaints (both non-Plevin and Plevin complaints) of two years after the effective date of the final rules; (2) an FCA-led customer communications campaign in advance of the deadline, with bank funding of the campaign; and (3) a failure to disclose a sales commission of 50% or more would be deemed unfair when assessing a new PPI complaint and require a customer refund of the difference between the commission paid and 50%, plus interest. A further update was issued by the FCA in August 2016 which largely agreed with the original proposal. Consultation on the new guidance is due to end on the 11th of October 2016.

During 2015, CFE increased its PPI reserves by approximately £50.8 million, compared to an increase of £19.7 million during 2014 and CSOL increased its PPI reserves by approximately £84.6 million, compared to an increase of £30.5 million during 2014. The increase in these reserves was primarily due to the FCA's consultation paper, changes in the accounting of the customer remediation provision that now factors in future costs of administering PPI claims and a continued elevated level of customer complaints on the sale of PPI prior to January 2005, which Citi believes is largely as a result of the continued regulatory focus and increased customer awareness of PPI issues across the industry.

Since the authorisation of their financial statements for the year ended 31 December 2015, management have released £5.0 million of PPI reserves and have built £40.5 million of PPI reserves for CFE and CSOL respectively. This is due to lower than anticipated settlements in CFE but higher than anticipated settlements in CSOL alongside a continued elevated level of claims and a delay in FCA guidance on the final deadline. As a result, on 21 June 2016, CSOL received a £13.6 million capital contribution from CFHL, £15.7 million from Citibank Overseas Investment Corporation (COIC) and £15.7 million from Yonder Investment Corporation.

The Company believes the number of PPI complaints, the amount of refunds and the impact on the Company could remain volatile and are subject to continued significant uncertainty.

Other remediation initiatives

CPP is a UK insurance firm that sold services to retail cardholders relating to lost or stolen cards (card protection) and identity protection. In the past, CFE and CSOL sold approximately £32.8 million and £31.6 million respectively in premiums to credit card customers as agent for CPP. During 2013 the FCA announced that both the card protection product and the identity protection product had been missold both by CPP and by certain partners of CPP (including CFE and CSOL) who had introduced customers to CPP. As a result, CFE and CSOL participitaed in a court-approved Scheme of Arrangement set up to provide redress to affected customers. At the end of the year the CFE and CSOL had reserved £nil (2014: £0.03 million) and £nil (2014: £0.5 million) after utilising the remainder for this loss contingency during the year following the completion of the companies' remediation initiative.

Future Outlook

The Company expects the operating environment to remain challenging as its investments continue to manage and efficiently meet their legacy customer remediation liabilities, while minimising, as much as possible, any negative financial impact to its shareholders.

By Order of the Board

G A Z Caspi
Director

27 September 2016

Incorporated in England and Wales
Registered office: Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB
Registered number: 02008955

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CITIFINANCIAL CORPORATION LIMITED

We have audited the financial statements of CitiFinancial Corporation Limited (the "Company") for the year ended 31 December 2015 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express our opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Namrata Basker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
27 September 2016

CITIFINANCIAL CORPORATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Interest and similar income		375	347
Interest expense and similar charges		(74)	(73)
Net interest income		301	274
Total operating profit		301	274
Impairment write down of investments	7	(23,311)	-
(Loss)/Profit before income tax		(23,010)	274
Income tax	4	-	-
(Loss)/profit for the year		(23,010)	274

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

There was no other comprehensive income or losses for 2015 or 2014 other than those included in the Income Statement.

CITIFINANCIAL CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Cash	10	102,804	102,429
Investments in subsidiary undertakings	6	137,421	137,421
Investment in associate undertakings	7	44,842	68,153
Total assets		285,067	308,003
Liabilities			
Other liabilities	8	149,771	149,697
Total liabilities		149,771	149,697
Equity shareholders' funds			
Called up share capital	9	99,391	99,391
Share premium account		274,867	274,867
Capital reserve		195,600	195,600
Retained earnings		(434,562)	(411,552)
Total equity shareholders' funds		135,296	158,306
Total liabilities and equity shareholders' funds		285,067	308,003

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements were approved by the Directors on 27 September 2016 and signed on their behalf by:

G A Z Caspi
Director

Registered Number: 02008955

CITIFINANCIAL CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Called up share capital	Share premium account	Capital reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2014	99,391	274,867	178,050	(411,826)	140,482
Total comprehensive profit for the year	-	-	-	274	274
Capital contribution	-	-	17,550	-	17,550
Balance as at 31 December 2014	99,391	274,867	195,600	(411,552)	158,306
Total comprehensive loss for the year	-	-	-	(23,010)	(23,010)
Balance as at 31 December 2015	99,391	274,867	195,600	(434,562)	135,296

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

CITIFINANCIAL CORPORATION LIMITED

STATEMENT OF CASH FLOW

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flow used in operating activities			
(Loss)/profit before tax		(23,010)	274
Adjustments for non-cash items included in net loss/(profit) and other adjustments:			
Impairment of investments	7	23,311	-
Net increase in operating liabilities			
Other liabilities		74	72
Net cash flow from operating activities		375	346
Net cash flow from financing activities			
Capital contribution received		-	17,550
Net cash flow from financing activities		-	17,550
Net cash flow from/(used in) investing activities			
Investment in associate		-	(17,550)
Net cash flow from/(used in) investing activities		-	(17,550)
Net increase in cash and cash equivalents		375	346
Cash and cash equivalents, beginning of the year		102,429	102,083
Cash and cash equivalents, end of the year	10	102,804	102,429

The accompanying notes on pages 12 to 21 form an integral part of these financial statements.

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

The accounting policies which have been applied consistently throughout the current and preceding year are set out below:

(a) Basis of presentation

The financial statements have been prepared on a going concern basis and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU.

These financial statements have been prepared under the historical cost convention.

(b) Changes in accounting policy and disclosures

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

- In December 2014, the IASB published the final Standard Disclosure Initiative (Amendments to IAS 1). These amendments to IAS 1 *Presentation of Financial Statements* address some of the concerns expressed about existing presentation and disclosure requirements and ensure that entities are able to use judgement when applying IAS 1. The final Standard Disclosure Initiative (Amendments to IAS 1) is effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- *Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles.* The IASB's annual improvement projects for the 2010-2012 and 2011-2013 cycles resulted in minor amendments to multiple standards. The amendments are effective for annual reporting periods beginning on or after 1 February 2015, with early adoption permitted. The amendments are not expected to have a significant impact on the Company's financial statements.
- *Annual Improvements to IFRS 2012-2014 Cycle.* The IASB's annual improvement projects for the 2012-2014 cycle resulted in minor amendments to multiple standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the amendments.

Standards issued but not yet endorsed by the EU
There are a number of accounting standards and interpretations that have been issued by the International Accounting Standards Board (IASB), but which are not yet effective for the Company's financial statements, the Company does not plan on early adoption of these standards, they include:

- IFRS 9 - *Financial Instruments.* The IASB completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 in July 2014. The improved standard includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard replaces the existing guidance in IAS 39 - *Financial Instruments: Recognition and Measurement* and carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
- IFRS 15 - *Revenue from Contracts with Customers.* IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and IFRIC 13 - *Customer Loyalty Programmes.* IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Consolidation

As permitted under section 401 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of the ultimate parent Citigroup Inc. which prepares consolidated financial statements under US GAAP. Citigroup Inc. makes its financial statements available to the public on a quarterly basis.

(d) Foreign currencies

The financial statements have been prepared in Pounds Sterling ("£"), which is the presentational and functional currency of the Company.

At the balance sheet date monetary assets and liabilities are translated at the year-end rates of exchange. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate at the date of the transaction.

Transactions in foreign currencies are translated at rates of exchange approximating those at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the statement of comprehensive income.

(e) Net interest expense

Interest income and expense on financial assets and liabilities are recognised in the statement of comprehensive income using the effective interest rate method.

(f) Taxation

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.

(g) Investment in subsidiary and associate undertakings

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

The Company assesses at each balance sheet date whether there is objective evidence that its investment in subsidiary and associate undertakings are impaired. Investments are impaired and impairment losses are recognised 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 investment 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 investment that can be reliably estimated.

If, in a subsequent year, management consider that part or all of the impaired investment in subsidiary and associate undertakings become recoverable, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income up to an amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised in prior years.

(h) 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 and amounts due from other banks.

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions, estimates and judgements

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

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

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

Further information about those areas where estimation, uncertainty and the application of critical judgements to accounting policies have the most significant effect on the amounts recognised in the financial statements are set out below.

Impairment of investments in subsidiary and associate undertakings

The Company considers, based on its best estimates and judgements, that the investments in subsidiary undertakings are recoverable, but investments in associate undertakings are not considered fully recoverable after an impairment review by management at the year end. The Company has come to this view after reviewing the estimated carrying value of their future profits and cash flows and has decided that its subsidiary undertakings will be in a position to repay the investment, but associate undertaking will not be in a position to repay the investment.

3. Auditor's remuneration

The auditor's remuneration of £7,000 (2014: £7,000) for these financial statements is borne and paid by CFE.

4. Income tax

a) Analysis of income tax for the year

There was no charge incurred during the year (2014: £nil).

b) Factors affecting tax charge for the year

	2015 £'000	2014 £'000
(Loss)/profit on ordinary activities before taxation	(23,010)	274
(Loss)/profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20.25% (2014: 21.49%)	(4,659)	59
Effects of:		
Expenses not deductible for tax purposes	4,720	-
Group relief received for no consideration	(61)	(59)
Income tax for the year	-	-

4. Income tax (continued)

The main rate of corporation tax in the UK was reduced from 21% to 20% on 1 April 2015. This results in a weighted average rate of 20.25% for 2015 (2014: 21.49%). Finance (No. 2) Act 2015 provides that the corporation tax rate will reduce to 19% from 1 April 2017 and further to 18% from 1 April 2020. These rates were enacted in November 2015.

Further, the 2016 UK Budget announced a further reduction to the tax rate to 17% from 1 April 2020, however, this has yet to be enacted.

5. Financial assets and liabilities

2015	Loans and receivables £'000	Other amortised cost £'000	Total carrying amount £'000	Fair value £'000
Assets				
Cash	102,804	-	102,804	102,804
Total financial assets	102,804	-	102,804	102,804
Liabilities				
Other liabilities	-	149,771	149,771	149,771
Total financial liabilities	-	149,771	149,771	149,771

2014	Loans and receivables £'000	Other amortised cost £'000	Total carrying amount £'000	Fair value £'000
Assets				
Cash	102,429	-	102,429	102,429
Total financial assets	102,429	-	102,429	102,429
Liabilities				
Other liabilities	-	149,697	149,697	149,697
Total financial liabilities	-	149,697	149,697	149,697

The calculation of fair value incorporates the Company's estimate of the fair value of financial assets and financial liabilities. It does not reflect the economic benefits and costs that the Company expects to flow from the instruments' cash flows over their expected future lives. Other entities may use different valuation methods and assumptions in determining fair values, so comparisons of fair values between entities may not necessarily be meaningful.

5. Financial assets and liabilities (continued)

Fair value information

The fair value represents management's best estimates based on a range of methodologies and assumptions. The carrying value of short-term financial instruments not accounted for at fair value, as well as receivables and payables arising in the ordinary course of business, approximates fair value because of the relatively short period of time between their origination and expected realisation. The carrying value has been disclosed as fair value where discounting does not have a material impact on the carrying value of the financial instrument.

Fair value measurement

IFRS 13 - *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Among other things, the standard requires the Company to maximise the use of observable inputs and minimise the use of unobservable inputs when measuring fair value.

Fair value hierarchy

IFRS 13 specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

Estimated fair value of financial instruments not carried at fair value

The table below presents the carrying value and fair value of the Company's financial instruments which are not carried at fair value.

The table excludes the values of non-financial assets and liabilities, as well as a wide range of franchise, relationship and intangible values, which are integral to a full assessment of the Company's financial position and the value of its net assets.

2015	**£'000**		**Estimated fair value £'000**		
	Carrying value	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash	102,804	102,804	-	102,804	-
Liabilities					
Other liabilities	149,771	149,771	-	149,771	-

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Financial assets and liabilities (continued)

Estimated fair value of financial instruments not carried at fair value (continued)

2014	**£'000**		**Estimated fair value £'000**		
	Carrying value	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash	102,429	102,429	-	102,429	-
Liabilities					
Other liabilities	149,697	149,697	-	149,697	-

6. Investment in subsidiaries

Investments in subsidiary undertakings was as follows:

	2015 £'000	**2014 £'000**
As at 1 January and 31 December	137,421	137,421

During the year the Company performed impairment reviews on its investments in subsidiary undertakings. No impairment of the Company's investments was identified.

The Company's investments in subsidiary undertakings at the balance sheet date were as follows:

Name of Company	**No of shares**	**Unit value**	**Equity held**	**Nature of business**	**Country of incorporation**
Associates Capital Limited	2	£1	100%	Non-trading	England and Wales
CitiFinancial Limited	2	£1	100%	Non-trading	England and Wales

AFS (Pension Trustees) Limited was dissolved on 19 August 2015.

7. Investment in associates

The Company's investment in associate represents a 44.59% holding in CFHL, incorporated in England and Wales. The issued equity capital of CFHL is £685.9 million.

Summarised aggregate financial information on associate:

	2015 £'000	**2014 £'000**
Assets	123,204	167,323
Liabilities	(22,639)	(2,638)
(Loss)/profit for the year	(64,120)	12,200

NOTES TO THE FINANCIAL STATEMENTS

7. Investment in associates (continued)

The movement in the Company's investment in associate was as follows:

	2015	2014
	£'000	£'000
As at 1 January 2015	68,153	50,603
Capital Contribution	-	17,550
Impairment	(23,311)	-
As at 31 December 2015	44,842	68,153

Impairment is recognised when the recoverable amount of the investment falls below its carrying value. Recoverable amount is estimated as the amount the associate is expected to be able to repay upon disinvestment.

8. Other liabilities

	2015	2014
	£'000	£'000
Unpaid share capital for subsidiaries	137,421	137,421
Placement with group companies	12,350	12,276
	149,771	149,697

9. Called up share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid:		
99,353,246 ordinary "A" Shares of £1.00 each	99,353	99,353
3,740,000 ordinary "B" Shares of £0.01 each	38	38
	99,391	99,391

10. Cash and cash equivalents

	2015	2014
	£'000	£'000
Due within 3 months		
Cash at bank	102,804	102,429

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Related party transactions

The Company is a wholly owned subsidiary undertaking of Citibank Investments Limited, which is incorporated in England and Wales. The largest group 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 arm's length transactions are entered into with related parties. These include loans and deposits that provide funding to other Citigroup companies. Various services are provided between related parties and these are all also provided at arm's length. No provisions have been recognised in respect of loans given to related parties (2014: £nil). The table below summarises balances with related parties. There were no related party transactions with the parent undertaking, CIL and the ultimate parent undertaking, Citigroup Inc.

	2015		
	Subsidiary undertakings £'000	**Other Citigroup undertakings £'000**	**Total £'000**
Assets			
Cash	-	102,804	102,804
Liabilities			
Other liabilities	137,421	12,350	149,771
Income statement			
Interest and similar income	-	375	375
Interest expense and similar charges	-	(74)	(74)

	2014		
	Subsidiary undertakings £'000	**Other Citigroup undertakings £'000**	**Total £'000**
Assets			
Cash	-	102,429	102,429
Liabilities			
Other liabilities	137,421	12,276	149,697
Income statement			
Interest and similar income	-	347	347
Interest expense and similar charges	-	(73)	(73)

Directors' remuneration

During the year no Director received any remuneration in respect of services provided to the Company. All Directors' remuneration and indirect personnel costs are borne by a group company.

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Financial instruments and risk management

The following analysis gives an indication of the significance of financial instruments to the Company.

Currency exposures

The main operating or functional currency of the Company is Pounds Sterling. Since the Company prepares its financial statements in Pounds Sterling and has undertaken no foreign exchange transactions during the year, the Company's balance sheet does not suffer currency exposure.

Liquidity risk

The Company defines liquidity risk as the risk that the Company will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or the financial condition of the Company.

The Company's funding and liquidity objectives aim to maintain liquidity to fund its existing asset base, while at the same time maintain sufficient excess liquidity, structured appropriately, to continue operating under a wide variety of market conditions, including both short and long-term market disruptions.

Liquidity risk management policy is set at a Citigroup level. In Western Europe, liquidity is managed centrally as part of the fungible banking region known internally as 'EU Bank', which includes the Company.

The Company's short term liquidity gap disclosed below is not considered to pose a practical liquidity risk to the Company as £137 million of 'Other liabilities', classified as due on demand, relates to 'unpaid share capital for subsidiaries' over which the Company has 100% control.

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. Note that in managing liquidity risk, management use certain assumptions based on behavioural characteristics which differ from the contractual maturity dates shown below.

2015	**1 year or less £'000**	**> 1 year and < 5 years £'000**	**Greater than 5 years £'000**	**Total £'000**
Assets				
Cash and cash equivalents	102,804	-	-	102,804
All other assets	-	-	182,263	182,263
2015 Total assets	102,804	-	182,263	285,067
2014 Total assets	102,429	-	205,574	308,003
Liabilities				
All other liabilities and equity	149,771	-	135,296	285,067
2015 Total liabilities and equity	149,771	-	135,296	285,067
2014 Total liabilities and equity	149,697	-	158,306	308,003
2015 Net liquidity gap	(46,967)	-	46,967	-
2014 Net liquidity gap	(47,268)	-	47,268	-

CITIFINANCIAL CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Financial instruments and risk management (continued)

Operational risk management process (unaudited)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. It includes the reputation and franchise risk associated with business practices or market conduct in which Citigroup is involved.

Framework
Citigroup's global operational risk is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognised ownership of the risk by the businesses;
- oversight by Citigroup's independent risk management and control functions; and
- independent assessment by Citigroup's Internal Audit function.

The goal is to keep operational risk at appropriate levels relative to the characteristics of the Company's businesses, the markets in which it operates, its capital and liquidity, and the competitive, economic and regulatory environment.

13. Parent companies

The immediate parent undertaking of the Company is Citibank Investments Limited, incorporated in England and Wales. The ultimate parent undertaking of the Company is Citigroup Inc., incorporated in the State of Delaware, United States of America.

The audited financial statements of the parent are made available to the public annually in accordance with Companies House regulations and may be obtained from its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from www.citigroup.com/citi/corporategovernance/ar.htm.