CITIFINANCIAL EUROPE LIMITED

(Registered Number: 01375237)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2019

CITIFINANCIAL EUROPE LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2019

The Directors present their report and the audited financial statements of CitiFinancial Europe Limited ("the Company") for the year ended 31 December 2019.

Business environment

The Company is a wholly-owned indirect subsidiary of Citigroup Inc. and was authorised and regulated by the Financial Conduct Authority (FCA) until 26 January 2016, when an application to the FCA to cancel its regulatory licence was successfully completed. The words "Citigroup" and "Citi" are used interchangeably throughout this document and both refer to Citigroup Inc.

As at 31 December 2019, the Company held no consumer loan portfolio assets. The Company now solely manages legacy obligations including the handling of Payment Protection Insurance (PPI) claims.

Events after the reporting period

Non-adjusting events

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers.

This is a non-adjusting event and it is not expected to have any material financial effects to the Company.

Adjusting events

Any Payment Protection Insurance (PPI) reserve changes between 31 December and the signing date of the Financial Statements qualify as "adjusting events after the reporting period" under IAS 10 - Events after the Reporting Period. For 2018 PPI provisions included PPI changes for the period between 18 May 2018 and 27 June 2019, while for the current year PPI provisions include PPI changes for the period between 28 June 2019 and 20 July 2020. The dates represent the corresponding signing dates of the financial statements.

Going concern basis

The financial statements are prepared on a going concern basis taking into account the Company's existing capital and liquidity resources and the level of reliance placed on support from Citi, the Company's ultimate parent. The Directors acknowledge the risk that extreme circumstances might adversely impact the Company's ability to continue trading and 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, including the implications from the pandemic (COVID-19) outbreak. As the Company is part of the Citigroup, the risks that apply to the parent also apply to all subsidiaries within the group including the Company. The risk factors impacting Citigroup Inc. are described in its 2019 annual report on form 10-K, which can be found at http://www.citigroup.com/citi/investor/sec.htm.

The directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis. In addition, Citigroup Inc. continues to provide confirmation that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

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

- a financial summary, including the income statement and balance sheet, is provided in the financial results section on pages 7 to 9; and
- objectives, policies and processes for managing market, credit, liquidity and operational risk, and the Company's approach to capital management and allocation, are described in Note 15 – 'Financial instruments and risk management' and Note 16 - 'Capital Management'.

Dividends

The Company neither paid, nor did the Directors recommend the payment of, a final dividend for the year and the prior year.

CITIFINANCIAL EUROPE LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2019

Strategic Report

Section 414B of the Companies Act 2006 states that a company is entitled to the small companies exemption in relation to the strategic report for a financial year if it would be so entitled but for being or having been a member of an ineligible group. As such, the Company has elected to exercise this exemption in relation to the preparation of a Strategic Report for this financial year.

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

The Directors are responsible for preparing the 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 UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework* 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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' indemnity

Throughout the year and at the date of this report the Company is party to a group-wide indemnity policy which benefits all of its current Directors and is a qualifying third party indemnity provision for the purpose of section 236 of the Companies Act 2006.

Directors

The Directors who held office during the year ended 31 December 2019 and since year end were:

D I Sharland (resigned on 4 December 2019)
J V Mistry
S G Shakespeare (appointed on 4 December 2019)

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.

CITIFINANCIAL EUROPE LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2019

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.

Political contributions

The Company made political contributions of £nil during the year (2018: £nil).

Disclosure of information to auditors

In accordance with section 418 of the 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.

Auditor

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

By order of the Board

J V Mistry
Director

22 July 2020

Incorporated in England and Wales
Registered Office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 01375237

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

Opinion

We have audited the financial statements of CitiFinancial Europe Limited ("the Company") for the year ended 31 December 2019 which comprise the income statement, balance sheet, statement of changes in equity and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS *101 Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Directors' report

The Directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

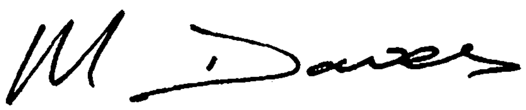
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, 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 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.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square

London

E145GL

22 July 2020

CITIFINANCIAL EUROPE LIMITED

INCOME STATEMENT
for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Other operating income	3	2,680	-
Total operating income		2,680	-
General and administrative expenses	4	(7,919)	(149)
Customer remediation provision	4	(37,473)	(34,377)
Total operating loss		(42,712)	(34,526)
Gain on liquidation of subsidiary undertakings	5	-	9,514
Loss before income tax		(42,712)	(25,012)
Income tax charge	6	-	-
Loss and total comprehensive loss for the year		(42,712)	(25,012)

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

CITIFINANCIAL EUROPE LIMITED

BALANCE SHEET
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Loans and advances to banks	13	39	1,137
Loans and advances to group undertakings	13,14	55,081	68,009
Amounts due from group companies		-	308
Total assets		55,120	69,454
Liabilities			
Payables due to other group undertakings	13	1,169	824
Accruals and deferred income		174	1,233
Other liabilities	9	1,188	3,209
Provisions for liabilities and charges	10	43,092	46,979
Total liabilities		45,623	52,245
Total equity			
Share capital	12	279,103	279,103
Share premium account	11	3,641	3,641
Other reserves	11	577,345	542,345
Retained earnings	11	(850,592)	(807,880)
Total equity attributable to equity holders of the parent		9,497	17,209
Total liabilities and equity		55,120	69,454

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

Approved by the Directors on 22 July 2020 and signed on their behalf by:

J V Mistry
Director

Registered Number: 01375237

CITIFINANCIAL EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

		Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2018		279,103	3,641	542,345	(782,868)	42,221
Total comprehensive loss for the year		-	-	-	(25,012)	(25,012)
Balance as at 31 December 2018 and 1 January 2019		279,103	3,641	542,345	(807,880)	17,209
Total comprehensive loss for the year		-	-	-	(42,712)	(42,712)
Capital contribution	11	-	-	35,000	-	35,000
Balance as at 31 December 2019		279,103	3,641	577,345	(850,592)	9,497

The accompanying notes on pages 10 to 24 form an integral part of these financial statements.

CITIFINANCIAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

a) Basis of preparation

The Company's financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. In the previous year, the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In the transition to FRS 101 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

The Company has taken the exemption available under FRS 101 not to disclose all transactions with other group companies and investees of the group qualifying as related parties. It has also taken the exemption available under FRS 101 not to disclose a cash flow statement and the effects of new but not yet effective IFRSs.

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. The financial statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

The accounting policy set out below has, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on a going concern basis taking into account the Company's existing capital and liquidity resources and the level of reliance placed on support from Citi, the Company's ultimate parent. The Directors acknowledge the risk that extreme circumstances might adversely impact the Company's ability to continue trading and 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, including the implications from the pandemic (COVID-19) outbreak. As the Company is part of the Citigroup, the risks that apply to the parent also apply to all subsidiaries within the group including the Company. The risk factors impacting Citigroup Inc. are described in its 2019 annual report on form 10-K, which can be found at http://www.citigroup.com/citi/investor/sec.htm.

The directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis. In addition, Citigroup Inc. continues to provide confirmation that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

b) Changes in accounting policy and disclosures

Standards issued and effective

There are a number of accounting standards that have been issued by the International Accounting Standards Board ("IASB"), which became effective during 2019. They include:

- **IFRS 16 – Leases.** In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the income statement. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. The change in accounting standard did not have any impact on the Company, as it does not enter into lease arrangements.

- **IFRIC 23 – Uncertainty over Income Tax Treatments.** The interpretation provides requirements that add to the requirements in IAS 12 – Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. The interpretation has no a significant impact on the Company.

1. Principal accounting policies (continued)

c) Foreign currencies and net foreign exchange gains and losses

The Company financial statements are presented in Pounds Sterling (£), which is the functional and presentational currency of the Company.

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

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. The EIR is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

e) Other financial instruments

Classification and Measurement

Business Model Assessment

The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Company's business model does not depend on management's intentions for an individual instrument (i.e., it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business.

Throughout the year the Company offered no products to customers. By 2013, the Company had divested or wound down all customer related assets and liabilities. The Company now solely manages legacy obligations including the handling of Payment Protection Insurance (PPI) claims. The financial assets held by the Company are primarily intercompany receivables that are held to collect contractual cash flows.

Assessment of whether the contractual cash flows are solely payments of principal and interest

If an instrument is held in either a hold to collect or hold to collect and sell business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal outstanding ("SPPI") is required to determine classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test must be performed at initial recognition of the financial asset and, if applicable, as at the date of any subsequent changes to the contractual provisions of the instrument.

CITIFINANCIAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

e) Other financial instruments (continued)

Financial Assets

Amortised Cost

A financial asset debt instrument shall be classified and subsequently measured at amortised cost (unless designated under FVO) only if both of the following conditions are met:

(i) Business Model test: the financial asset debt instrument is held under a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) SPPI test: the contractual terms of the financial asset debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The following financial assets were classified as 'loans and receivables' and 'amortised cost':

Loans and advances and other assets

Loans and advances and other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. They comprise Loans and advances to banks, Loans and advances to group undertakings and Other assets that are deemed to have contractual cashflows of SPPI.

Loans and advances are initially recognised at fair value, which is the cash given to originate the loan, net of transaction costs and subsequently measured at amortised cost using the EIR method, less any impairment charges.

Financial Liabilities

Financial liabilities
Bank loans and overdrafts and other liabilities are measured at amortised cost using the effective interest rate.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in both the normal course of business, in the event of default, insolvency or bankruptcy of both the Company and its counterparty. In all other situations they are presented gross.

f) Impairment of financial assets

Under IFRS 9, the same impairment model is applied to all financial assets, except for: (a) debt investments classified or designated as FVTPL, and (b) equity investments, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss (ECL) impairment model includes amortised cost financial assets, debt securities classified as FVOCI, and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

The estimation of an ECL is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

IFRS 9 has three 'stages' for impairment recognition, whereby the measure of expected credit losses, and the interest income recognition, differs depending on the change in credit risk of the financial asset since initial recognition.

Due to the nature of business activities and the financial assets on the Company's balance sheet the recognition of incremental expected credit losses has a minimal impact. Therefore, for the vast majority of its exposures the Company has taken advantage of the practical expedient allowed by IFRS 9 in which lifetime expected credit losses are recognised irrespective of changes in credit risk (i.e. other assets).

1. Principal accounting policies (continued)

g) Derecognition 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 expired.

h) 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. Deferred tax balances are not discounted.

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.

i) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation. Included within provisions are PPI reserves as detailed in the customer remediation provisions section of Note 2 – 'Use of assumptions and estimates'.

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.

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 period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

Going Concern
The financial statements are prepared on a going concern basis taking into account the Company's existing capital and liquidity resources and the level of reliance placed on support from Citi, the Company's ultimate parent. The Directors acknowledge the risk that extreme circumstances might adversely impact the Company's ability to continue trading and 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, including the implications from the pandemic (COVID-19) outbreak. As the Company is part of Citigroup, the risks that apply to the parent also apply to all subsidiaries within the group including the Company. The risk factors impacting Citigroup Inc. are described in its 2019 annual report on form 10-K, which can be found at http://www.citigroup.com/citi/investor/sec.htm.

2. Use of assumptions and estimates (continued)

Going Concern (continued)
Further information relevant to this assessment is provided in the following sections of these financial statements:

- a financial summary, including the income statement and balance sheet, is provided in the financial results section on pages 11 to 14; and
- objectives, policies and processes for managing operational risk and the Company's approach to capital management and allocation, are described in Note 14 – 'Financial instruments and risk management'.

Estimates and assumptions

(i) Deferred tax assets
The Company's accounting policy for the recognition of deferred tax assets is described in Note 1(h) to the financial statements. A deferred tax asset is recognised to the extent that it is probable that suitable future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of suitable future taxable profits, future reversals of existing taxable temporary differences and planning strategies.

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

As at 31 December 2019, Management's forecasts do not support the assumption that it is probable that the Company will generate sufficient suitable taxable income to utilise a deferred tax asset. Therefore, no deferred tax assets have been recognised.

(ii) Customer remediation provisions
The selling of PPI by financial institutions in the U.K. has been the subject of intense review and focus by U.K. regulators and the U.K. Supreme Court.

PPI is designed to cover a customer's loan repayments if certain events occur, such as long-term illness or unemployment. The U.K. Financial Conduct Authority (FCA) 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. Redress generally involves the repayment of premiums and the refund of all applicable contractual interest, together with compensatory interest of 8%.

In addition, during the fourth quarter of 2014, the U.K. 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, that 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.

Furthermore, on 2 March 2017 the FCA released a policy statement related to PPI that (i) set a deadline of 29 August, 2019 by which consumers must file PPI claims, (ii) provided for the launch of FCA-led marketing campaigns to inform consumers of this deadline, (iii) set new rules and guidance for the handling of PPI complaints in light of the Supreme Court's decision on Plevin and (iv) required all firms to contact all previously rejected customers who may be able to complain under the new "Plevin" rule (the Plevin Customer Contact Exercise). Citi completed the Plevin Customer Contact Exercise during the fourth quarter of 2017. The FCA-led marketing campaigns began in August 2017 and continued through the August 2019 deadline. The level of PPI claims also continued to be influenced by the solicitation activity of Claims Management Companies (CMCs).

Since 28 June 2019 and until the signing date of the Financial Statements, the Company increased its PPI reserves by approximately £37.5 million (£34.4 million for the period between 19 May 2018 and 27 June 2019), largely due to a significant level of claims received in the run-up to the 29 August 2019 deadline.

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions and estimates (continued)

(ii) Customer remediation provisions (continued)

The Company's PPI reserve included in these Financial Statements is £35.5 million (2018: £42.4 million). Details surrounding the "adjusting events after the reporting period" under IAS 10 - Events after the Reporting Period are set out on page 2.

Additional reserving actions, if any, in 2020 will largely depend on the completion of the processing of backlog of claims received before the deadline.

3. Other operating income

Other operating income of £2.7 million (2018: £nil) includes the write-off of aged liabilites following a detailed balance sheet review.

4. General administrative expenses and customer remediation provision

	2019 £'000	2018 £'000
General administrative expenses	7,919	149
Customer remediation provision net of releases	37,473	34,377
	45,392	34,526

The current year and prior year customer remediation provision costs are to cover claims on mis-selling of PPI policies and other insurance products in previous years. This note should be read in conjunction with Note 10 – 'Provisions for liabilities'.

The increase of customer remediation provision charged against profit during 2019 was largely due to a continued level of elevated claims until the 29 August 2019 deadline.

Included within administrative expenses is auditor's remuneration as follows:

	2019 £'000	2018 £'000
Fees payable for the audit of the annual statutory accounts	72	73

5. Gain on liquidation of subsidiary undertakings

	2019 £'000	2018 £'000
Proceeds	-	13,302
Less:		
Carrying value of the investment in subsidiary undertakings	-	(3,788)
Gain on liquidation of subsidiary undertakings	-	9,514

On 16 January 2018 CitiFinancial (Guernsey) Limited and on 23 March 2018 CitiFinancial (Isle of Man) Limited were dissolved. The Company's payables to CitiFinancial (Guernsey) Limited and to CitiFinancial (Isle of Man) Limited of £13.3 million were waived in lieu of a final liquidation distribution. This was offset by the Company's investment in these two subsidiaries of £3.8 million and resulted in a gain on liquidation of £9.5 million.

CITIFINANCIAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Taxation

a) Analysis of tax charge in the year

	2019 £'000	2018 £'000
UK corporation tax on profits of the period	-	-

b) Factors affecting tax charge for the period

	2019 £'000	2018 £'000
Loss before tax	(42,712)	(25,012)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(8,115)	(4,752)
Effects of:		
Non-deductible expenses for tax purposes	7,832	7,185
Income not taxable	-	(1,808)
Losses carried forward not recognised for deferred tax	283	(625)
Income tax charge	-	-

The main rate of corporation tax in the UK has been 19% from 1 April 2017. The Finance Act 2016, which was enacted on 15 September 2016, reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

The 2020 Budget has removed the reduction to 17% such that the rate will remain at 19%, however the impact of this has not been reflected, as this has not been substantively enacted at the balance sheet date.

c) Deferred tax

At 31 December 2019, the Company had an unrecognised deferred tax asset of £1.7 million (2018: £2.1 millions). This has not been recongised on the grounds that there is insuffficent evidence that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

CITIFINANCIAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Financial assets and liabilities

The following tables summarise the carrying value and fair values of the financial assets and financial liabilities and the classification of each class of financial asset and liability:

2019	Amortised cost	Total carrying amount	Fair value
	£'000	£'000	£'000
Assets			
Loans and advances to banks	39	39	39
Loans and advances to group undertakings	55,081	55,081	55,081
Total financial assets	55,120	55,120	55,120
Liabilities			
Payables due to other group companies	1,169	1,169	1,169
Total financial liabilities	1,169	1,169	1,169

2018	Amortised cost	Total carrying amount	Fair value
	£'000	£'000	£'000
Assets			
Loans and advances to banks	1,137	1,137	1,137
Loans and advances to group undertakings	68,009	68,009	68,009
Amounts due from group undertakings	308	308	308
Total financial assets	69,454	69,454	69,454
Liabilities			
Payables due to other group companies	824	824	824
Total financial liabilities	824	824	824

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

- 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, or where discounting does not have a material impact on the carrying value of the financial instrument.

Fair value information

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.

CITIFINANCIAL EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Financial assets and liabilities (continued)

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.

2019				**Estimated fair value**	
	£'000			**£'000**	
	Carrying value	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Loans and advances to banks	39	39	39	-	-
Loans and advances to group undertakings	55,081	55,081	55,081	-	-
Amounts due from group undertakings	-	-	-	-	-
Liabilities					
Bank loans and overdrafts	-	-	-	-	-
Payables due to other group companies	1,169	1,169	-	1,169	-

2018				**Estimated fair value**	
	£'000			**£'000**	
	Carrying value	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Loans and advances to banks	1,137	1,137	1,137	-	-
Loans and advances to group undertakings	68,009	68,009	68,009	-	-
Amounts due from group undertakings	308	308	-	308	-
Liabilities					
Bank loans and overdrafts	-	-	-	-	-
Payables due to other group companies	824	824	-	824	-

8. Investments in subsidiary undertakings

The Company's investments in the share capital of subsidiary undertakings were as follows:

	2019	**2018**
	£'000	**£'000**
At 1 January	-	3,788
Disposal	-	(3,788)
At 31 December	-	-

On 16 January 2018 CitiFinancial (Guernsey) Limited and on 23 March 2018 CitiFinancial (Isle of Man) Limited were dissolved. The Company's payables to CitiFinancial (Guernsey) Limited and to CitiFinancial (Isle of Man) Limited of £13.3 million were waived in lieu of a final liquidation distribution. This was offset by the Company's investment in these two subsidiaries of £3.8 million and resulted in a gain on liquidation of £9.5 million.

9. Other liabilities

	2019 £'000	2018 £'000
Other balances	1,188	3,209
	1,188	3,209

10. Provisions for liabilities

	PPI provision 2019 £'000	Provision for PPI expenses 2019 £'000	Provision for legal expenses 2019 £'000	Total 2019 £'000
At 1 January	42,429	4,550	-	46,979
Charge against profits	38,655	4,439	3,330	46,424
Provisions utilised	(44,369)	(4,761)	-	(49,129)
Provisions released	(1,182)	-	-	(1,182)
At 31 December	35,533	4,228	3,330	43,092

Provisions have been set up to cover settlement and administrative costs related to possible claims on mis-selling of insurance products in previous years, including PPI policies, as detailed in Note 2 – 'Use of assumptions and estimates'. The current provision represents the Company's best estimate of all future expected costs of PPI redress, however it is possible the eventual costs may differ.

As explained on page 2, any PPI reserve changes between 31 December and the signing date of the Financial Statements qualify as "adjusting events after the reporting period" under IAS 10 - Events after the Reporting Period.

For 2018 PPI provisions included PPI changes for the period between 18 May 2018 and 27 June 2019, while for the current year PPI provisions include PPI changes for the period between 28 June 2019 and 20 July 2020. The dates represent the corresponding signing dates of the financial statements.

11. Capital and reserves

Details regarding capital and reserves movements are shown in the Statement of Changes in Equity on page 9.

The other reserves component of equity includes capital contributions from the parent company which are distributable.

12. Share capital

The Company is incorporated in England and Wales with the following share capital:

Allotted, called-up and fully paid	2019 £'000	2018 £'000
279,102,650 (2018: 279,102,650) ordinary shares of £1 each	279,103	279,103

All ordinary shares confer identical rights in respect of capital, dividends, voting and otherwise.

13. Loans and advances

	2019 £'000	2018 £'000
Due within 3 months:		
Loans and advances to banks	39	1,137
Loans and advances to group undertakings	55,081	68,009
	55,120	69,146

Loans and advances to group undertakings comprises balances with group undertakings whose principal activity is provision of banking services.

14. Directors' remuneration

Directors' compensation for the year comprises:

	2019 £'000	2018 £'000
Salaries and other short-term benefits	46	33
Post-employment benefits	1	1
	47	34

Contributions to pension schemes are accruing to three Directors (2018: two). Contributions to defined benefit pension schemes are accruing to one of the Directors (2018: one). Two of the Directors (2018: none) of the Company participate in Citigroup share plans.

The remuneration for the highest paid Director was £42,374 (2018: £26,005) with £5,009 (2018: £2,758) being share based compensation and accrued pension of £882 (2018: £590). During the year, the highest paid Director did not exercise Citigroup share options. The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' remuneration is allocated based on the apportionment of time incurred by Directors for services to the Company. Directors are employed by other Citigroup companies and therefore the Company does not incur any charge for these costs.

15. Financial instruments and risk management

Objectives, policies and strategies

The Company no longer has third party exposure to market or credit risk. It is still exposed to liquidity risk arising from the customer remediation liabilities. The following financial instrument and risk management disclosures address any remaining risks.

Risk management

Citigroup manages risk across three dimensions: businesses, regions and critical products. Each of the major business groups has a Business Chief Risk Officer who is the focal point for risk decisions (such as setting risk limits or approving transactions) in the business.

There are also Regional Chief Risk Officers, accountable for the risks in their geographic area, who are the primary risk contact for the regional business heads and local regulators. Risk management within the Company is overseen by the United Kingdom Chief Risk Officer along with the managers for the differential risk types such as liquidity risk and operational risk.

15. Financial instruments and risk management (continued)

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

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

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

The Company is exposed to liquidity risk arising from customer remediation liabilities attributable to its legacy UK consumer business. This risk is addressed via PPI claims modelling and its parental commitment which aim to ensure it has sufficient cash on hand to meet the cost associated with legitimate customer remediation claims as needed.

Operational risk management process (unaudited)

Framework
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 and, as with other risk types, 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 control functions; and
- Independent review by Internal Audit.

The goal is to keep operational risk at appropriate levels relative to the characteristics of the Company's business, its capital and liquidity, and the economic and regulatory environment.

To anticipate, mitigate and control operational risk, Citigroup maintains a system of policies and has established a consistent framework for monitoring, assessing and communicating operational risks and the overall effectiveness of the internal control environment across Citigroup. As part of this framework, Citigroup has established a "Manager's Control Assessment" (MCA) program to help managers self-assess key operational risks and controls and identify and address weaknesses in the design and/or effectiveness of internal controls that mitigate significant operational risks. MCAs are in place for all the major business lines and control areas.

As noted above, each major business segment must implement an operational risk process consistent with the requirements of this framework.

The process for operational risk management includes the following steps:

- identify and assess key operational risks;
- design controls to mitigate identified risks;
- establish key risk and control indicators;
- implement a process for early problem recognition and timely escalation;
- produce a comprehensive operational risk report; and
- ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

15. Financial instruments and risk management (continued)

Operational risk management process (unaudited) (continued)

In addition, Operational Risk Management, within Citi's independent risk management function, proactively assists the businesses, operations and technology and the other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions, and facilitates the management of operational risk.

Operations of outsource service suppliers
The Company as part of its business utilises third party suppliers. The Directors have ensured that the Company has significant oversight of the service providers, and their processes, to ensure their compliance with Citi's Third Party Management Standards.

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 the 'EU Bank', which includes the Company.

The UK forum for liquidity management for Citigroup is the UK Asset/Liability Management Committee (UK ALCO) and is chaired by the Chief Country Officer. This forum is composed of the UK CFO, UK legal entity Risk Manager, UK Treasurer, the Financing Desk Heads and key business representatives.

A liquidity plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily for the EU Bank. Liquidity risk is monitored using various ratios and limits in accordance with the Liquidity Risk Management Policy for Citigroup. The funding and liquidity plan includes analysis of the balance sheet as well as of the economic and business conditions impacting subsidiaries in the UK. As part of the funding and liquidity plan, liquidity limits, liquidity ratios and assumptions for periodic stress tests are reviewed and approved.

Stress testing and scenario analyses are intended to quantify the potential impact of a liquidity event on the EU Bank's balance sheet and liquidity position, and to identify viable funding alternatives that can be utilised. These scenarios include potential significant changes in key funding sources, market triggers (such as credit rating downgrades), uses of funding and political and economic conditions, including standard and stressed market conditions as well as firm-specific events.

Some span liquidity events over a full year, while others may cover a more intense shock over a shorter period such as one month. These potential liquidity events can give rise to potential mismatches between liquidity sources and uses over a variety of time horizons, and liquidity limits are set accordingly. To monitor the liquidity of a unit, these stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily.

Given the range of potential stresses, the Company maintains a series of contingency funding plans for individual entities and regionally. The plans specify a wide range of readily available actions in a variety of adverse market conditions, or idiosyncratic disruptions.

15. Financial instruments and risk management (continued)

Liquidity risk (continued)

The following table analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Note that in managing liquidity risk, management use certain assumptions based on behavioural characteristics which differ from the contractual maturity dates shown below.

2019	3 months or less £ '000	> 3 months and < 1 year £ '000	>1 year and < 5 years £ '000	Greater than 5 years £ '000	Total £ '000
Assets					
Loans and advances to banks	39	-	-	-	39
Loans and advances to group undertakings	55,081	-	-	-	55,081
Total assets	55,120	-	-	-	55,120
2018 total assets	69,454	-	-	-	69,454
Liabilities					
Provision for liabilities and charges	13,473	29,619	-	-	43,092
All other liabilities	2,531	-	-	-	2,531
Total liabilities	16,004	29,619	-	-	45,623
2018 total liabilities	12,803	39,442	-	-	52,245
2019 net liquidity gap	39,116	(29,619)	-	-	9,497
2018 net liquidity gap	56,651	(39,442)	-	-	17,209

16. Capital management

The Company's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment.

On 26 January 2016, as the Company no longer undertakes any regulated business activities, the Company had its regulatory licence cancelled by the FCA.

It is the Company's objective to continue to maintain a strong capital base to support its remaining operations. Capital forecasts are prepared taking into account the strategic plans and the capital requirements for the Company. Capital forecasts for the Company are updated and reviewed at a minimum on a quarterly basis.

Capital resources consist of share capital, share premium, retained earnings, other reserves and interim net losses. The Company's policy is to maintain a sufficient capital base in order to maintain investor, creditor and market confidence.

16. Capital management (continued)

The Company's capital resources at 31 December were as follows:

	2019 £ '000	2018 £ '000
Total capital held at 31 December	9,246	41,538
PPI provisions between 31 December and the signing date of the Financial Statements	251	(24,329)
Total capital as per the financial statements*	**9,497**	**17,209**

*Unaudited

Any PPI reserve changes between the 31 December and the signing date of the Financial Statements qualify as an "adjusting event after the reporting period" under IAS 10. As such, these provisions are included in the prior year financial statements, while capital injections in support of these PPI provisions are only noted via disclosure. Details surrounding the adjusting events after the reporting period are set out at page 2.

17. Events after the reporting period

Non-adjusting events

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers.

This is a non-adjusting event and it is not expected to have any material financial effects to the Company.

Adjusting events

Any Payment Protection Insurance (PPI) reserve changes between 31 December and the signing date of the Financial Statements qualify as "adjusting events after the reporting period" under IAS 10 - Events after the Reporting Period. For 2018 PPI provisions included PPI changes for the period between 18 May 2018 and 27 June 2019, while for the current year PPI provisions include PPI changes for the period between 28 June 2019 and 20 July 2020. The dates represent the corresponding signing dates of the financial statements.

18. Parent companies

At the end of the year the Company was a subsidiary undertaking of Citi Overseas Bahamas Holdings Limited, registered at 14 University Drive, N-1575, Nassau, Bahamas. The Company's ultimate parent company is Citigroup Inc., registered at 1209 Orange Street, Wilmington, New Castle, DE, 19810, United States of America.

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