CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

Registered Number: RCS B 169 199

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2020

(with the Report of the réviseur d'entreprises agréé thereon)

31, Z.A. Bourmicht, L-8070 Bertrange
Luxembourg
RCS Luxembourg B 169 199

Management Report and Responsibility Statement for the year ended 31 December 2020

The Management presents its Report and the Financial Statements for the year ended 31 December 2020.

1. Activities and review of the development of the business

Citigroup Global Markets Funding Luxembourg S.C.A. (hereafter "the Company" or "CGMFL") was incorporated in the Grand Duchy of Luxembourg on 24 May 2012 as a corporate partnership limited by shares ("société en commandite par actions") for an unlimited period.

The Company is a 100% subsidiary of Citigroup Global Markets Limited (hereafter "the Parent" or "CGML"), which is a private company limited by shares governed by the Law of the UK. CGML is a wholly-owned indirect subsidiary of Citigroup Inc. (hereafter "the Ultimate Parent Company" or "Citigroup"). It is headquartered in London, and operates globally, generating the majority of its business from Europe, Middle East and Africa (EMEA) region, with the remainder coming from Asia and the Americas.

The state of affairs of CGMFL at the closing of the financial year is adequately presented in the Financial Statements, as published herein. The course of business of the Company has been as expected by the Board of Managers (hereafter "the Board"). During 2020, the Company conducted its activity as an issuer of structured notes, certificates and warrants and thereby raising funding for group companies.

During the year ended 31 December 2020, the Company did not exercise any research and development activity, nor have a branch, nor acquire own shares.

2. Business review

During the financial year:

- The Company reports a net profit of USD 83,587.
- The Company issued 10,732 structured notes (in the form of new products or new tranches) under the Global Medium Term Note Programme for a proceed amount of USD 18,037,593,894 and 4,356 securities (in the form of new products or new tranches) under the Citi Warrant Programme, of which 1,901 are presented in the financial statements as index linked certificates for a proceed amount of USD 1,593,837,789 and 2,455 warrants presented in the financial statements as derivatives for a proceed amount of USD 3,818,702,458;
- The Company issued 72 preference shares in USD, EUR and in GBP for a proceed equivalent amount of USD 8,348;
- 2,128 structured notes matured for a proceed amount of USD 3,172,783,453 (USD 2,851,448,100 in cash payments and USD 321,335,353 through physical settlements) and 1,199 index linked certificates matured for a proceed amount of USD 912,999,515 (USD 751,939,092 in cash payments and USD 161,060,423 through physical settlements) as well as 719 warrants matured for a proceed amount of USD 1,752,165,379 (USD 1,631,551,221 in cash payments and USD 120,614,158 through physical settlements);
- The Company fully redeemed 5,306 structured notes with a proceed amount of USD 7,656,850,823 and 323 index linked certificates for a proceed amount of USD 292,907,821 as well as 1,156 warrants for a proceed amount of USD 984,439,759;
- The Company redeemed 39 preference shares in USD, EUR and in GBP for a net proceed equivalent amount of USD 5,531.
- The Company fully or partially retired 2,033 structured notes with a net proceed amount of USD 2,833,723,260, 158 index linked certificates with a net proceed amount of USD 319,089,944 as well as 39 warrants with a net proceed amount of USD 11,996,965.
- The Company paid 27,299 coupons for a total amount of USD 641,475,442.
- There were no credit events that affected the Company.

3. Principal risks and uncertainties

The Company has exposure to the following risks from its use of financial instruments. It does not have any externally imposed capital requirements, other than the minimum capital requirements of the Commercial Law in Luxembourg. We also refer to Note 17 of the Financial Statements as at 31 December 2020.

(i) Credit Risk

The Company defines credit risk as the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations.

The Company's exposure to credit risk mainly relates to the counterparty risk of its Parent, CGML, in respect of cash and cash equivalents, and structured notes, index linked certificates and derivative assets purchased as offsetting positions for the structured notes, index linked certificates and derivative liabilities issued by the Company. The structured notes, index linked certificates issued and the offsetting positions taken by the Company in relation to the notes and certificates are both fully funded, which means that the Company is not subject to external credit risk outside Citigroup. Further the derivatives issued by the Company have offsetting transactions entered into with its Parent, CGML, which takes the form of swaps having the same economic exposures. CGML implemented a concentration risk management framework which includes the monitoring of risk limits by relationship, country and industry.

The credit process established at CGML is grounded in a series of fundamental policies, including:

- joint business and independent risk management responsibility for managing credit risks;
- single centre of control for each credit relationship that coordinates credit activities with that client;
- a requirement for a minimum of two authorised credit officer signatures on extensions of credit; one from a sponsoring credit officer in the business and one from a credit officer in independent credit risk management;
- consistent risk rating standards, applicable to every Citi obligor and facility; consistent standards for credit origination documentation and remedial management; and
- portfolio limits to ensure diversification and maintain risk/capital alignment.

The structured notes, index linked certificates and derivatives issued by the Company are subject to the credit risk of CGML, as these are unsecured and stated to be subject to the credit risk of CGML.

(ii) 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 effectively does not face significant liquidity risk as all cash flows relating to interest and principal payments on the structured notes, index linked certificates and derivatives issued by the Company are exactly matched by offsetting transactions with CGML, which results in net liquidity exposure of USD Nil for the Company. As issuer of the structured notes, index linked certificates and derivatives, the Company itself does not make any representation as to investors' ability to sell these notes, certificates and derivatives back to the Company at any time. As such, investors take the risk of the structured notes, index linked certificates and derivatives being illiquid – this is further described in the "Risk Factors" section of the base prospectuses under which the Company issues such structured notes, certificates and derivatives.

In the Secondary Market, structured notes, warrants or certificates may become illiquid. It is not possible to predict the price at which structured notes, warrants or certificates will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to, list structured notes, warrants or certificate on a stock exchange. If they are not listed or traded on any exchange, pricing information for the structured notes, warrants or certificates may be more difficult to obtain and their liquidity may be adversely affected.

Management of liquidity risk at CGML is the responsibility of the Corporate Treasury function. A uniform liquidity risk management policy exists for Citigroup ("Citi Global Liquidity Risk Management Policy") and its major operating subsidiaries. The Policy establishes the standards for defining, measuring, limiting and reporting liquidity risk to ensure the transparency and comparability of liquidity risk taking activities and the establishment of an appropriate risk appetite.

The forum for liquidity issues at CGML is the UK Asset/Liability Management Committee ("ALCO").

CGML's liquidity position is calculated and reported to Senior Management on a daily basis and reviewed formally by the UK ALCO committee and Board of Board.

3. Principal risks and uncertainties (continued)

(iii) Market Risk

Market risk is the risk to earnings or capital from adverse changes in market factors such as interest rates, foreign exchange rates, equity and commodity prices, as well as their implied volatilities and other higher order factors.

The Company does not undertake any intermediation activities for third parties and in particular does not act as broker for either trading securities or entering into derivatives transactions or securities lending operations for third parties such as other financial institutions or investment funds. All activities of the Company are for its own account.

The Company is hedging internally with CGML to reduce market risk associated with its transactions.

By construction, the market risk of notes, certificates or derivatives issued by the Company corresponds to that of the underlying reference asset(s) on which their redemption amount is dependent. The Company's obligation to pay the redemption amount is offsetted through an instrument with CGML as counterparty, which exactly offsets all cash flows to be paid by the Company as well as any fair value changes (refer to Note 9, Note 10, and Note 11). Consequently, the Company effectively does not bear any market risk on the notes, certificates or derivatives it issues. Any market risk is faced by CGML, which in turn manages its market risk in accordance with the principles set out in Note 17 of the Financial Statements as at 31 December 2020.

Information on the Interest Rate Benchmark Reform Phase 2 is discussed in Note 2 "Principal accounting policies". The Company has not early adopted this amendment in 2020, and is currently assessing the upcoming impact on its financial statements. The Management identified no significant risk related to the IBOR transition by the time of the financial statement published, due to its offsetting business structure with its Parent. The IBOR reform will not result in any significant changes to the measurement basis of the financial instruments of the Company because the majority of assets are held at fair value through profit or loss.

(iv) Country Risk

Country risk is defined by the Company as the risk that an event in a country (precipitated by developments within or external to a country) will impair the value of Citigroup's franchise or will adversely affect the ability of obligors within that country to honor their obligations to Citigroup. Country risk events may include sovereign defaults, banking defaults or crises, currency crises and/or political events.

The Company effectively does not face significant exposure to country risk. Given the nature of the structured notes, index linked certificates and derivatives issued by the company, which passes risk in the underlying reference assets to investors, and the Company' corresponding offsetting position with CGML, the Company has limited exposure to country risk itself (other than country risk associated with the United Kingdom as the domicile of CGML, and the country risk arising with the Grand Duchy of Luxembourg itself).

Following the UK referendum on European Union (EU) membership in June 2016, Citi established a formal programme ("Project Arch") to deliver a coordinated response to the UK's decision to leave the EU. The UK's membership of the EU came to an end on 31st January 2020 following the ratification by the UK and the EU of the Withdrawal Agreement with a transition period. The Brexit transition period ended at 11:00pm (UK) on 31st December 2020, resulting in EU laws, rules and regulations no longer being applicable to the UK. For Financial Services, and Citi, the UK has on-shored a number of rules and regulations in addition to outlining transitional powers and availing of temporary permissions regime, where appropriate.

Given the uncertainties in the final outcome of the UK's negotiations with the EU, CGML assumed a "Hard" Brexit scenario in its contingency planning, without an extended transition period or an agreed deal. The scenario therefore assumed a loss of EU passporting at the end of transition period on 31st December 2020.

The key objective of Project Arch was to design and implement a strategy that would allow Citi to continue servicing its clients in the European Economic Area (EEA) and UK with minimal disruption, whilst maintaining simplicity and transparency.

Across the impacted legal entities, Citi is operationally ready to support its clients following Brexit. Citi continues to monitor Brexit related political, legislative and regulatory considerations, for its EEA based client activities and all impacted legal entities.

3. Principal risks and uncertainties (continued)

In preparation for Brexit and to minimise client and market disruption, CGML aimed to maintain its existing EEA client, counterparty and Financial Market Infrastructure (FMI) relationships by making use of cross-border licences or licence exemptions in certain EEA jurisdictions, where available. Where such cross-border licences and licence exemptions were not available, EEA client facing activities were transferred to Citigroup Global Markets Europe AG (CGME, Citi's EEA Investment Firm and a wholly owned subsidiary of CGML) or Citibank Europe plc (CEP) in certain instances, to ensure continuity of services and products. CGME and CEP were operationally ready by 31st December 2020 and commenced provision of Markets & Securities Services to certain EU-based clients based on their preference to migrate their activity to the EU.

Further, as a part of Citi's Brexit Day 1 strategy, activities in CGML's existing EEA branches in France, Italy and Spain have been transferred to newly established branches of CGME in the respective EEA locations to support provision of investment services and products. CGML branches in France, Spain and Ireland have been closed. CGML Italy branch is in the final stages of closure with the local authorities. The valuation and transaction terms for the transfer of branch activities were formally approved by the CGML Board.

CGME's client base comprises eligible counterparties and professional clients (including clients who may be treated as professionals on request) for the purpose of Directive 2014/65/EU on markets in financial instruments. These typically include financial institutions, institutional and other investors, corporates, government and public sector entities and retail intermediaries.

Solving for Brexit to ensure continuity of EEA client facing activities from CGME and CEP was a priority for Citi in 2020. However, expectations from our European regulators (ECB, CBI and BaFin) require Citi to extend and enhance existing trading and risk management capabilities in CGME and CEP for material products on these entities in relation to EEA clients ("Day 2 operating model").

While Citi's Day 2 operating model is expected to have an impact on CGML, CGML will continue to be a full service Investment Firm and one of Citi's global market risk hubs in the target state. Further, CGML will continue to focus on ensuring sustained future viability of CGME as a part of post-Brexit restructuring. Management will continue strategic reviews at a legal entity and regional level, with decisions being appropriately presented for notification and approval to Boards and regulators, as necessary.

CGML continues to support its clients through successful execution of its Brexit contingency plans. However, there are certain challenges which remain for the industry as a whole, including but not limited to, the uncertainty surrounding how the UK-EU treatment of financial services is likely to evolve.

As Luxembourg has confirmed it will allow cross-border licence to UK firms, Brexit had no direct impact on the relationship the Company has with CGML, its sole counterparty.

The Covid-19 pandemic has had a significant impact on the economy and global regulators have responded with a range of measures to support firms through this period. Regulatory updates are still evolving and they vary by jurisdiction. These measures are intended to help firms to mitigate the economic impacts of the pandemic on their businesses and to allow them to continue to lend to the wider economy.

(v) Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. It includes reputation risks associated with Citigroup's business practices or market conduct. It also includes the risk of failing to comply with applicable laws, regulations, ethical standards or Citigroup policies. Operational Risk does not encompass strategic risk or the risk of loss resulting solely from authorised judgments made with respect to taking credit, market, liquidity, or insurance risk.

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

Citigroup maintains an Operational Risk Management (ORM) framework with a Governance Structure to ensure effective management of Operational Risk across Citigroup. The Governance Structure presents the Three Lines of Defence:

- first line of defence: the business owns all of its risks and is responsible for the management of those risks;
- second line of defence: the Citigroup's control functions (e.g., risk, finance, compliance, etc.) establish standards for the management of risks and effectiveness of controls; and
- third line of defence: Citigroup's internal audit function independently provides assurance, based on a risk-based audit plan, that processes are reliable and governance and controls are effective.

3. Principal risks and uncertainties (continued)

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) programme which helps managers to self-assess key operational risks (KORs) and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks.

The process established by the ORM Framework is expected to lead to effective anticipation and mitigation of operational risk and improved operational risk loss experience and includes the following steps:

- identify and assess Key Operational Risks (KORs);
- design controls to mitigate identified risks;
- establish Key Risk Indicators (KRls);
- implement a process for early problem recognition and timely escalation;
- produce comprehensive operational risk reporting; and
- ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

The KORs of the Company's activities are included in the KORs of CGML businesses. In relation to the above-mentioned risks we also refer to Note 17 of the Financial Statements as at 31 December 2020.

(vi) Covid-19 pandemic

The Covid-19 pandemic has become global, affecting all of the countries and jurisdictions where the Company operates. The pandemic and responses to it have had, and will likely continue to have, severe impacts on global health and economic conditions. These impacts will continue to evolve by region, country or state, largely depending on the duration and severity of the public health consequences, including the duration and further spread of the coronavirus, the potential for new variants of the virus, timely development, production and distribution of effective vaccines, availability of therapeutics, public response and government actions.

Strategies and initiatives will continue to depend significantly on future developments globally, which are uncertain and cannot be predicted, including the course of the virus, as well as any delay or weakness in the economic recovery or further economic downturn.

The pandemic may not be contained for an extended period of time. A prolonged health crisis could further reduce economic activity in countries, resulting in additional declines in employment and business and consumer confidence. These factors could further negatively impact global economic activity and markets; cause a continued decline in the demand for the Company's products and services and in its revenues; further increase the Company's credit and other costs; and may result in impairment of long-lived assets or goodwill.

In 2020, as the result of the Covid-19 pandemic and associated lockdowns from March onward, employee occupation of offices was heavily reduced. Citigroup told all employees to work from home where possible and invested in upgrading video conferencing and online meeting tools in order to facilitate this transition.

With a phased return to office scheduled for 2021, Citigroup's and the Company's video conferencing and remote-working tools will stay in place, ensuring employees don't travel for work unless necessary until government guidelines allow and satisfy Citi's own safety and Covid-19 policies.

4. Balance sheet

Total assets of USD 18,654,103 thousand (USD 12,759,152 thousand as at 31 December 2019). This is a result of increased note issuance by the vehicle during the period; this is in line with Management expectations around growth of the business.

5. Results and dividends for the year ended 31 December 2020

The results for the period are set out in the Statement of Profit or Loss and Other Comprehensive Income of the Financial Statements. The Board recommends to allocate USD 83,587 to the result carried forward. The Board recommends not to distribute a dividend for the year under review.

6. Key performance indicators

In addition to monitoring the financial results of the Company, the Management also consider the tracking of key non-financial items, i.e. regulatory capital and liquidity requirements. Please refer to the Notes of the Company's financial statements for the year ended 31 December 2020 for further information.

7. Risk Management

The impact of Covid-19 is expected to continue on the global economy for the coming months with likely adverse effects on the operations and financial position of the business.

As was reported in the Ultimate Parent Company's (Citigroup's) Annual Report on SEC Form 10-K for the year ended 31 December 2020, Citigroup disclosed that in addition to the widespread public health implications, the Covid-19 pandemic has had an extraordinary impact on macroeconomic conditions in the U.S. and around the world.

In considering going concern, the Company and CGML continue to closely monitor developments related to the outbreak of Covid-19. The potential impacts from Covid-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. During the year 2020, the Company has continue to issue structured products, increasing the volume of new instruments issued by 156% and the net proceeds from new instruments by 113%. The Company also continues to meet the increasing liquidity requirements of CGML.

To assess any potential impact on the Company, the Board reassessed the components of capital, liquidity and the financial position of the Company and have concluded that the going concern basis is still appropriate.

8. Financial instruments

The financial risk management objectives and policies and the exposures to credit risk and liquidity risk of the Company have been disclosed in the risk management policies in the Management Report of the Company's financial statements for the year ended 31 December 2020 and have not materially changed in the reporting period.

It does not have any externally imposed capital requirements, other than the minimum capital requirements of the Commercial Law in Luxembourg.

9. Board of Managers and their interests

The Board of Managers ("the Board") who held office on 31 December 2020 did not hold any shares in the Company at that date, or during the period. There were no contracts of any significance in relation to the business of the Company in which the Managers had any interest, at any time during the period.

10. Statement of Board of Managers' responsibilities

The Board of CGMFL is responsible for preparing the Management Report and the financial statements in accordance with applicable laws and regulations.

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

Under company law the Board 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 their profit or loss for that period. In preparing each of the Company's financial statements, the Board is 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 IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board confirms that it has complied with the above requirements in preparing the Financial Statements attached herewith. The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial positions of the Company, and which enable them to ensure that the Financial Statements comply with the applicable Luxembourg laws.

10. Statement of Board of Managers' responsibilities (continued)

The Board confirms that to the best of its knowledge, the Financial Statements which have been prepared in accordance with the applicable GAAP give a true and fair view of the assets, liabilities, financial positions and profit or loss of the Company.

The Board further confirms that to the best of its knowledge, the Management Report includes a fair review of the business and important events that have occurred during the financial period and their impact on the Financial Statements, as well as a description of the principal risks and uncertainties of the business.

The Board has a general responsibility for taking such reasonably available steps to safeguard the assets of the Company.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Parent 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.

11. Corporate Governance Statement

The Company is subject to and complies with the Commercial Law of Luxembourg, the Listing Rules of the Luxembourg Stock Exchange and the Listing Rules of the Irish Stock Exchange, of the Nasdaq Stockholm AB Stock Exchange and of the Frankfurt Freiverkehr. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to its own corporate governance requirements; in particular, the Company's Parent, CGML, has in place a dedicated management team and governance structure. CGML provides operational and technology services, in line with the global technology model used by its businesses, and relies on shared services provided centrally or by local Citigroup entities.

Financial Reporting Process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems for the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achiever the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for managing the business affairs of the Company with the Articles of Association. The Board may delegate certain functions to other parties, subject to the supervision and direction by the Board.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditor's performance, qualifications and independence.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's Financial Statements.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors. The Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management system of the Company in relation to the financial reporting process. The Company's activities are in the scope of CGML's internal audit function.

Capital Structure and Share Capital

The Company is managed by Citigroup Global Markets Funding Luxembourg GP S.à r.l. The Board provides independent management of the Company. The Company is a wholly owned indirect subsidiary of Citigroup Inc.. No shareholder, or associated group of shareholders acting together, owns enough shares of Citigroup Inc.'s common stock to directly or indirectly exercise control over Citigroup Inc..

On 24 May 2012, the date of the Company's incorporation, one-quarter (EUR 500,000) of the subscribed share capital was paid up.

11. Corporate Governance Statement (continued)

The subscribed share capital of the Company is equivalent to two million five hundred seven thousand and two hundred USD (USD 2,507,200) divided into:

- one (1) share with a nominal value of one Euro (EUR 1-) (action de commandité, the “Unlimited Share”) held by Citigroup Global Markets Funding Luxembourg GP S.à r.l., a private limited liability company (société à responsabilité limitée) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg (the “Unlimited Shareholder”);
- one million nine hundred ninety-nine thousand nine hundred ninety-nine (1,999,999) shares with a nominal value of one Euro (EUR 1.-) each (actions de commanditaire, the “Limited Shares”) held:
  - (i) by the Unlimited Shareholder for one (1) Limited Share; and
  - (ii) by Citigroup Global Markets Limited (“CGML”), a private limited company, incorporated under the laws of the United Kingdom, having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom for one million nine hundred ninety-nine thousand nine hundred ninety-eight (1,999,998) Limited Shares.

CGML also held one hundred and seventy-three (173) redeemable preferred shares in one hundred and seventy-three (173) different classes each having a nominal value of EUR one (1) each. The redeemable preference shares issued are classified as a financial liability and presented in the caption “Redeemable preference shares” because it is mandatorily redeemable in cash.

Except the preference shares, which are not entitled to any dividend, all shares confer identical rights in respect of capital, dividends, voting and otherwise.

Refer to Note 12 of the Financial Statements as at and for the year ended 31 December 2020.

During the year, seventy-two (72) new preference shares have been issued to CGML for a total amount of USD 8,348 (including share premium).

Powers of Managers

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Managers may delegate certain functions to other parties, subject to the supervision and direction by the Managers.

There is no agreement between the Company and its Board providing for compensation if they resign or are removed from office for any reason by a Shareholders’ decision.

12. Events after the reporting period

Subsequent to the year-end and until 15 April 2021, the Company has issued 5,471 structured notes (in the form of new products or new tranches) for a net proceed amount of USD 10,218,493,120 and 2,113 securities (in the form of new products or new tranches), of which 861 are presented in the financial statements as index linked certificate for a net proceed amount of USD 767,611,091 and 1,252 warrants presented in the financial statements as derivatives for a net proceed amount of USD 1,561,063,530. The Company issued 14 preference shares in USD and in GBP for a net proceed equivalent amount of USD 1,832. Subsequent to the year-end, 1,144 structured notes matured for a proceed amount of USD 2,633,921,619 and 547 index linked certificates matured for a net proceed amount of USD 241,802,626 as well as 343 warrants matured for a net proceed amount of USD 1,095,985,382.

The Company fully redeemed 2,649 structured notes for a net proceed amount of USD 3,679,092,907 and 153 index linked certificates for a net proceed amount of USD 115,730,834 as well as 562 warrants presented as derivatives for a net proceed amount of USD 431,266,304.

A key theme for 2021 will continue to be the global spread of Covid-19, which has resulted in governments taking varied actions towards stemming its spread and bolstering economies. The Impact of Covid-19 is expected to continue for the coming months, with a more positive outlook hinging on the timely rollout of vaccines and the success in limiting the spread of new variants. The road to recovery from Covid-19 will be uneven across countries depending on their exposure to the virus and their ability to ease restrictions. In considering going concern, the Company, its parent and Citigroup Inc. globally are closely monitoring the spread of Covid-19, the actions and reactions of governments and the potential effects it will have on its business. To assess any potential impact on the Company, the Board reassessed the components of capital, liquidity and the financial position of the Company and has concluded that the going concern basis is still appropriate.

13. Expected future development

The performance of the Company for 2021 will depend on the performance of the stock markets, on the appetite of retail and institutional investors for structured products, the increase of the market share of Citigroup products as well as on the liquidity requirements of CGML and the various sources of funding available.

As interest rates remain low, structured products will also remain attractive investment opportunities for investors.

The impacts of Covid-19 on economic conditions, businesses and consumers will also affect the demand of structured products from both retail and institutional investors as well as their investment strategies.

14. Audit Committee

Until Brexit became effective 1 January 2021, the Company was applying according to Art. 52. § 5 a) the exemption from the requirements to set up a local audit committee, as the audit committee exists on a group level with CGML. The role of the audit committee was undertaken by the full Board, which was deemed appropriate given the defined business activities of the Company.

In accordance with the Luxembourg Audit Law (Art. 52 § 2 and § 3), the Audit Committee of Citigroup Global Markets Limited, had delegated effectively 1st February 2018 the following responsibilities to the Board of its subsidiary, CGMFL:

- Overseeing the integrity of CGMFL's financial statements and CGMFL's accounting and financial reporting processes and financial statement audits.
- Overseeing CGMFL's compliance with Luxembourg legal and regulatory requirements.
- Overseeing CGMFL's independent auditor's qualifications and independence.
- Overseeing CGMFL's independent auditor performance.
- Overseeing CGMFL's system of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the company.
- Pre-approve any permitted non-audit services ("NAS"), rendered by its auditor or any member of its auditor's network.
- Ensure that expenses of NAS pre-approved are not above the 70% cap of audit fees based on a three-year rolling average.
- Ensure the implementation of rotation rules of independent auditor in accordance with Luxembourg laws.

The Company is currently assessing how it will organise the duties of the Audit Committee for the year 2021 onwards.

Bertrange, 30 April 2021

Mr Vincent Mazzoli	Mr Jonas Bossau
Manager	Manager

Registered in Luxembourg
Registered Office: 31, Z.A. Bourmicht, L-8070 Bertrange

Statement of Board of Managers' responsibilities

The Board of Managers (the "Board") of Citigroup Global Markets Funding Luxembourg S.C.A. (the "Company") is required, in accordance with the applicable reporting principles, to submit Financial Statements each period which give a true and fair view of the state of affairs of the Company.

In Preparing the Financial Statements, the Board is required to:

- select suitable accountings policies and apply them consequently;
- make reasonable and prudent judgments and estimates;
- state whether applicable GAAP has been followed; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Board confirms that it has complied with the above requirements in preparing the Financial Statements attached herewith. The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the Financial Statements comply with applicable Luxembourg laws.

The Board confirms that to the best of its knowledge, the Financial Statements which have been prepared in accordance with the applicable GAAP give a true and fair view of the assets, liabilities, financial position and profits and losses of the Company.

The Board further confirms that to the best of its knowledge, the Management Report includes a fair review of the business and important events that have occurred during the financial year and their impact on the Financial Statements, as well as a description of the principal risks and uncertainties of the business.

The Board has a general responsibility for taking such reasonably available steps to safeguard the assets of the Company.

Bertrange, 30 April 2021.

Vincent Mazzoli
Manager

Jonas Bossau
Manager

KPMG Luxembourg, Société coopérative
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To the Shareholders of
Citigroup Global Markets Funding Luxembourg S.C.A.
31, Z.A. Bourmicht,
L-8070 Bertrange

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Citigroup Global Markets Funding Luxembourg S.C.A. (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of financial instruments (structured notes purchased and issued, index linked certificates purchased and issued, derivative assets and liabilities)

a) Why the matter was considered to be one of most significance in our audit of the financial statements for the year ended 31 December 2020

Valuation of financial instruments (structured notes purchased and issued, index linked certificates purchased and issued, derivative assets and liabilities) held at fair value is a key area of audit focus due to its financial significance and inherent judgment involved in determining the fair values.

As at 31 December 2020, Structured notes purchased and issued amount to USD 16,661 million each (31 December 2019: USD 12,131 million each), Index linked certificates purchased and issued amount to USD 639 million each (31 December 2019: USD 529 million each), and Derivative assets and liabilities amount to USD 1,142 million each (31 December 2019: USD 88 million each), representing collectively 98.86% of total assets (31 December 2019: 99.91%) and 98.87% of total liabilities (31 December 2019: 99.91%).

Financial instruments issued by the Company are executed over-the-counter, are structured in nature and contain hybrid security features. Financial instruments purchased are offsetting transactions to the Company's financial instruments issued and take the form of fully-funded swaps, which reflect the individual features of the financial instruments issued. As at 31 December 2020, these financial instruments are classified as Level 2 or Level 3 in the fair value hierarchy.

The fair value of such financial instruments is determined through the application of valuation techniques and valuation models, including observable and unobservable inputs. Citigroup has developed and maintains its own models to value Level 2 and Level 3 financial instruments. Those models can require using significant management judgement and estimation such that changes to key inputs made can result, either on an individual instrument or in aggregate, in a material change to the valuation of financial instruments.

The Company is a wholly owned indirect subsidiary of Citigroup Inc. (Citigroup Inc. and its subsidiaries, "Citigroup") and multiple services with regards to valuation of financial instruments are provided to the Company by other Citigroup entities.

Refer to Note 2(i) "Principal accounting policies – Fair value measurement", Note 3 "Use of assumptions, estimates and judgements", Note 9 "Financial instruments designated and mandatorily measured at fair value through profit or loss", Note 10 "Derivative assets and liabilities", and Note 11 "Financial assets and liabilities" for further disclosures on the valuation of financial instruments.

b) How the matter was addressed in our audit

Our procedures over controls related to the valuation of financial instruments included, but were not limited to, the following:

— We obtained the portfolio of financial instruments and analysed them by their model type applied;

- We made inquiries of the Board of Managers regarding the procedures and controls relating to the valuation of financial instruments;
- We instructed KPMG in other locations to test the design, implementation and operating effectiveness of key internal controls executed at the level of Citigroup in those locations, including the following:
  - data feeds and inputs to valuation;
  - reconciliations, either fully automated or with manual components, between front and back end IT systems;
  - independent price verification, a process of comparing internal prices and parameters used to mark positions to obtain position valuations to a corresponding set of independently verifiable external prices and parameters;
  - where control deficiencies have been identified, test the design, implementation and operating effectiveness of compensating controls;
- We evaluated the results of KPMG in the other locations involved in the testing of design, implementation and operating effectiveness of the controls relating to the valuation of financial instruments.

Our substantive procedures over the valuation of financial instruments included, but were not limited to, the following:

- We instructed KPMG in other locations to substantively review certain models used as at 31 December 2020 for the valuation of financial instruments held at fair value;
- We engaged our own valuation specialists to assist us in performing independent valuation of a sample of financial instruments outstanding as at 31 December 2020, comparing these to the Company's valuations, and evaluating the resulting differences, if any;
- We engaged our own valuation specialists to assist us in challenging the Company's assessment on credit value adjustments, debit value adjustments and own credit adjustments described in Note 2(i) "Principal accounting policies – Fair value measurement".

We assessed the completeness and accuracy of disclosures relating to these financial instruments to determine compliance with IFRSs as adopted by the European Union.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the financial statements

The Board of Managers is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Board of Managers determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Managers is responsible for presenting and marking up the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the financial statements, the Board of Managers is responsible for 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 the Board of Managers either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the financial statements

The objectives of our audit 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 a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to assess whether the financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

— Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Board of Managers on 26 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the financial statements of the Company as at 31 December 2020 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Company it relates to:

— Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of Citigroup Global Markets Funding Luxembourg S.C.A. as at 31 December 2020, identified as "Traditional Signed - CGMFL - FS 31.12.2020", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 30 April 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Florent Thill

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	For the year ended 31 December 2020 $ 000	For the year ended 31 December 2019 $ 000
Interest and similar income		-	-
Interest expense and similar charges		-	-
Net interest expense		-	-
Net fee and commission income	**4**	1,928	1,735
Net income from financial instruments at fair value through profit or loss	**5, 20**	-	-
Total operating income		1,928	1,735
General and administrative expenses	**6**	(1,815)	(1,614)
Profit before income tax		113	121
Income tax expense	**7**	(29)	(37)
Income for the year		84	84
Total comprehensive income for the year		84	84
Profit attributable to:			
Equity holders of the Company		84	84
Non-controlling interest		-	-
Total comprehensive profit attibutable to:			
Equity holders of the Company		84	84
Non-controlling interest		-	-

The accompanying notes on pages 5 to 48 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	31 December 2020 $ 000	31 December 2019 $ 000
Assets			
Cash and cash equivalents	**11**	64,847	11,371
Structured notes purchased	**9,11**	16,661,236	12,130,625
Index linked certificates purchased	**9,11**	638,470	528,829
Derivative assets	**10,11**	1,142,160	87,702
Other assets	**13**	147,390	625
Total assets		18,654,103	12,759,152
Liabilities			
Bank loans and overdrafts	**11**	65,633	287
Structured notes issued	**9,11**	16,661,236	12,130,625
Index linked certificates issued	**9,11**	638,470	528,829
Derivative liabilities	**10,11**	1,142,160	87,702
Redeemable preference shares	**12,11**	23	18
Other liabilities	**13**	145,526	10,728
Current tax liabilities		57	49
Total liabilities		18,653,105	12,758,238
Equity			
Share capital	**12**	627	627
Reserves**	**12**	63	63
Foreign currency translation reserve	**12**	41	41
Retained earnings	**12**	267	183
Total equity		998	914
Total liabilities and equity		18,654,103	12,759,152

** legal reserve has been allocated up to 10% of the EUR paid up capital as the presentation currency is USD there is a foreign exchange impact.
The accompanying notes on pages 5 to 48 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Share Capital	Reserves	Foreign currency translation reserve	Retained Earnings	Total Equity
	$ 000	$ 000	$ 000	$ 000	$ 000
Balance as at 1 January 2019	**627**	**61**	**41**	**101**	**830**
Total comprehensive income for the year	-	-	-	84	84
Allocation to reserves	-	2	-	(2)	-
Balance as at 31 December 2019	**627**	**63**	**41**	**183**	**914**
Total comprehensive income for the year	-	-	-	84	84
Balance as at 31 December 2020	**627**	**63**	**41**	**267**	**998**

There are no non-controlling interests existing as at 31 December 2020 (2019: none).
The accompanying notes on pages 5 to 48 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
		$ 000	$ 000
Cash flow from operating activities			
Profit before tax		113	121
Adjustments to reconcile profit before tax to net cash flow from operating activities			
Net (increase)/decrease in operating assets:			
Change in other assets	**13**	(146,765)	175
Net increase/(decrease) in operating liabilities:			
Change in accruals and other liabilities	**13**	134,798	9,110
Change in current tax liabilities		8	12
Income tax paid	**7**	(29)	(37)
Net cash flow from operating activities		(11,875)	9,381
Cash flow from investing activities			
Payments in relation to financial instruments purchased		(23,450,134)	(10,993,479)
Interest received on financial instruments purchased		641,476	342,732
Proceeds from maturity of financial instruments		5,837,948	2,470,895
Proceeds from redemption and retirement of financial instruments		12,099,009	4,661,379
Net cash flow from investing activities		(4,871,701)	(3,518,473)
Cash flow from financing activities			
Proceeds from redeemable preference shares	**8, 12**	8	9
Proceeds from issuance of financial instruments	**8**	23,450,134	10,993,479
Interest paid on financial instruments issued	**8**	(641,476)	(342,732)
Payment in relation to financial instruments matured	**8**	(5,837,948)	(2,470,895)
Payments from redemption and retirement of financial instruments	**8**	(12,099,009)	(4,661,379)
Net cash flow from financing activities		4,871,709	3,518,482
Net increase/(decrease) in cash and cash equivalents		(11,867)	9,390
Cash at bank including bank overdrafts at 1 January		11,084	1,694
Foreign Exchange		(3)	-
Cash at bank including bank overdrafts at 31 December		(786)	11,084

The accompanying notes on pages 5 to 48 form an integral part of this financial statement.

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

NOTES TO THE FINANCIAL STATEMENTS

1. General

Citigroup Global Markets Funding Luxembourg S.C.A. (hereafter "the Company" or "CGMFL") was incorporated in the Grand Duchy of Luxembourg on 24 May 2012 as a corporate partnership limited by shares ("société en commandite par actions") for an unlimited period.

The registered office of the Company is established at 31 Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg. Its registration number is RCS B 169 199.

The Company is managed by Citigroup Global Markets Funding Luxembourg GP S.à r.l. (hereafter "the Manager"). The Board of Managers (hereafter "the Board") provides independent management of the Company to enable the Company to realise its objects. The Company is a wholly owned indirect subsidiary of Citigroup Inc. (hereafter "the Ultimate Parent Company" or "Citigroup"). No shareholder, or associated group of shareholders acting together, owns enough shares of Citigroup Inc.'s common stock to directly or indirectly exercise control over Citigroup Inc.. The Company's registered office is situated at 31, Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg.

The primary object of the Company is the granting of loans or other forms of funding directly or indirectly in whatever form or means to any entities belonging to the same group (e.g. including, but not limited to, by subscription of bonds, debentures, other debt instruments, advances, the granting of pledges or the issuing of other guarantees of any kind to secure the obligations of any entities, through derivatives or otherwise).

The Company may finance itself in whatever form including, without limitation, through borrowing or through issuance of listed or unlisted notes and other debt or equity instruments, convertible or not (e.g. including but not limited to bonds, notes, loan participation notes, subordinated notes, promissory notes, certificates and warrants) including under stand-alone issues, medium term note and commercial paper programmes.

The Company may also:

- grant security for funds raised, including notes and other debt or equity instruments issued, and for the obligations of the Company; and
- enter into all necessary agreements, including, but not limited to underwriting agreements, marketing agreements, management agreements, advisory agreements, administration agreements and other contracts for services, selling agreements, deposit agreements, fiduciary agreements, hedging agreements, interest and/or currency exchange agreements and other financial derivative agreements, bank and cash administration agreements, liquidity facility agreements, credit insurance agreements and any agreements creating any kind of security interest.

In addition to the foregoing, the Company can perform all legal, commercial, technical and financial investments or operations and, in general, all transactions which are necessary or useful to fulfil its objects as well as all operations connected directly or indirectly to facilitating the accomplishment of its purpose in all areas described above.

The Company's Article's of Association however prohibit it from entering into any transaction which would constitute a regulated activity of the financial sector or require a business licence under Luxembourg law without due authorisation under Luxembourg law.

The Company grants loans and other forms of funding to entities belonging to the same group and therefore competes in any market in which the group has a presence.

The Company is a wholly owned indirect subsidiary of Citigroup Inc.. Citigroup Inc. is a global diversified financial services holding company whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services. It services its obligations primarily with dividends and advances that it receives from subsidiaries (Citigroup Inc. and its subsidiaries, hereafter "the Group", or "Citigroup").

The Company is included in the consolidated financial statements of Citigroup Inc. forming the smallest and the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of that company is located at 399 Park Avenue, New York, NY and the consolidated accounts are available at that address.

The financial statements of the Company at the year ended 31 December 2020 are available upon request from the Company's registered office at 31 Z.A. Bourmicht, L-8070 Bertrange, the Grand Duchy of Luxembourg.

1. General (continued)

On 14 October 2016, Fitch Ratings had assigned Long-and Short-Term Issuer Default Ratings (IDRs) of 'A'/'F1' to the Company reflecting Citigroup Inc.'s ability and propensity to support the Company. The Company is primarily a funding vehicle for Citigroup Global Markets Limited ("the Parent" or "CGML") issuing structured notes and warrants (presented in the financial statements as derivatives) and redeemable preference shares. Given the Parent's ability and propensity to support the Company, Fitch has equalized the ratings with the Parent.

On 8 May 2020, Fitch Ratings has upgraded the Long-Term Issuer Default Rating (IDR) of the Company and its Senior Debt Rating in line with that of its Parent, Citigroup Global Markets Limited (CGML). The rating Outlook remains Negative, reflecting the disruption to economic activity and financial markets from the Covid-19 pandemic. The Company's Short-Term IDR remains unchanged.

This action follows Fitch's upgrade of CGML's Long-term IDR to 'A+' from 'A' with a Negative Outlook on 22 April 2020. The ratings of the Company are in line with those of its Parent CGML, and reflect Fitch's view of CGML's ability and propensity to support its wholly owned subsidiary. In particular, the upgrade reflects CGML's irrevocable and unconditional guarantee of CGMFL's liabilities, including outstanding senior debt.

On 21 June 2017, S&P Global Ratings assigned its 'A+/A-1' issuer credit ratings to CGMFL. The outlook is stable, reflecting that of other core operating subsidiaries of Citigroup.

Multiple services with regards to valuation of financial instruments are provided to the Company by other Citigroup entities. During the financial year, the Company issued 10,732 structured notes under the Global Medium Term Note Programme for a net proceed amount of USD 18,037,593,894 and 4,356 securities under the Citi Warrant Programmes, of which 1,901 are presented in the financial statements as index linked certificates for a net proceed amount of USD 1,593,837,789 and 2,455 warrants presented in the financial statements as derivatives for a net proceed amount of USD 3,818,702,458. The Company issued 72 preference shares in USD, in EUR and in GBP for a net proceed equivalent amount of USD 8,348.

2,128 structured notes matured for a proceed amount of USD 3,172,783,453 (USD 2,851,448,100 in cash payments and USD 321,335,353 through physical settlements) and 1,199 index linked certificates matured for a proceed amount of USD 912,999,515 (USD 751,939,092 in cash payments and USD 161,060,423 through physical settlements) as well as 719 warrants matured for a proceed amount of USD 1,752,165,379 (USD 1,631,551,221 in cash payments and USD 120,614,158 through physical settlements). The Company early redeemed 5,306 structured notes with a proceed amount of USD 7,656,850,823 and 323 index linked certificates for a net proceed amount of USD 292,907,821 as well as 1,156 warrants for a proceed amount of USD 984,439,759. The Company redeemed 39 preference shares in USD, EUR and in GBP for a net proceed equivalent amount of USD 5,531.

The Company fully or partially retired 2,033 structured notes with a net proceed amount of USD 2,833,723,260 and 158 index linked certificates for a net proceed amount of USD 319,089,944 as well as 39 warrants with a net proceed amount of USD 11,996,965.

During the financial year, 69 instruments were listed on the Official Market of the Irish Stock, 4 on the Nasdaq Stockholm AB, 46 on the Frankfurt Freiverkehr and 35 on the Luxembourg Official Stock Exchange.

2. Principal accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

As from 1st January 2018, the Board assessed that the functional currency of the Company was USD and the financial statements are therefore presented in USD. Please also refer to Note 2(c).

The Company has rounded figures to the nearest thousand USD, unless otherwise stated. The Company's financial year is the calendar year. These financial statements are of the individual Company and are prepared on a going concern basis.

The Board have reviewed the capital, liquidity and financial position of the Company including future capital, liquidity and financial plans covering a period of at least 12 months from the date of approval of these Financial Statements.

2. Principal accounting policies (continued)

As was reported in the Ultimate Parent Company's (Citigroup's) Annual Report on SEC Form 10-K for the year ended 31 December 2020, Citigroup disclosed that in addition to the widespread public health implications, the Covid-19 pandemic has had an extraordinary impact on macroeconomic conditions in the U.S. and around the world. In considering going concern, the Company continues to closely monitor developments related to the outbreak of Covid-19. The potential impacts from Covid-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. During the year 2020, the Company has continue to issue structured products, increasing the volume of new instruments issued by 156% and the net proceeds from new instruments by 113%. The Company also continues to meet the increasing liquidity requirements of CGML.

To assess any potential impact on the Company, the Board reassessed the components of capital, liquidity and the financial position of the Company and have concluded that the going concern basis is still appropriate.

The company continues to maintain a strong client franchise and competitive position in the client segments, countries and products by capturing growth opportunities despite huge uncertainties, volatile markets and an unprecedentedly challenging year operationally due to Covid-19 and the end of the Brexit Transition Period.

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. This includes financial instruments at fair value through profit or loss that are measured at fair value in the statement of financial position.

The financial statements were authorised for issue by the Board of Managers on 30 April 2021.

(b) New currently effective and forthcoming standards and amendments to the standards

New and amended standards and interpretations applicable as from 1 January 2020

The accounting policies adopted are consistent within the accounts and with those of the previous financial year, except for certain amendments to the IFRS standards implemented as at 1 January 2020, which did not have a material impact on the Company unless otherwise noted below. There was no other material or amended standards or interpretations that resulted in a change in accounting policy for the year ended 31 December 2020.

Amendments to References to Conceptual Framework in IFRS Standards

The revised Conceptual Framework for Financial Reporting (Conceptual Framework) issued in March 2018 was effective on or after 1 January 2020 for companies that use it to develop accounting policies when no IFRS Standard applies to a particular transaction. It does not override the requirements of individual IFRSs.

Adoption of the revised Conceptual Framework has not had a material impact on the Company.

Definition of a Business (Amendments to IFRS 3)

The IASB has amended the definition of a business for purposes of determining whether an acquisition is an acquisition of a business or an asset acquisition. This amendment applies to acquisitions occurring in annual reporting periods beginning on or after 1 January 2020. The amendment has not had a material impact on the Company.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has clarified that an information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment has not had a material impact on the Company.

2. Principal accounting policies (continued)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

LIBOR is currently used as the interest rate benchmark to price or value a wide range of financial products. Citigroup, and by extension the Company, is currently conducting a global LIBOR governance and implementation program which is focused on identifying and addressing the LIBOR transition impacts to Citi's clients, operational capabilities and legal and financial contracts, among others. The program operates globally across Citigroup's businesses and functions. Citigroup, and by extension the Company, also continued to engage with regulators, financial accounting bodies and others on LIBOR transition matters. Citigroup also has continued to identify its LIBOR transition exposures, including financial instruments that do not contain contract provisions that adequately contemplate the discontinuance of reference rates and that would require additional negotiation with counterparties. Citigroup's LIBOR transition efforts include, among other things, using alternative reference rates in certain newly issued financial instruments and products. Further, Citigroup has also been investing in its systems and infrastructure, as client activity moves away from LIBOR to alternative reference rates.

In September 2019, the IASB issued the Phase 1 of its response to IBOR Reform, which were amendments to IAS 39 and IFRS 9 addressing hedge accounting matters arising prior to the transition to new reference rate reform. Because the Company does not apply hedge accounting referencing LIBOR in its standalone financial statements, these amendments did not impact the Company. The Interest Rate Benchmark Reform is discussed in more details in Note 17 (h) "Financial instruments and risk management".

On 27 August 2020, the IASB issued the Phase 2 amendments which address transition and post-replacement issues, including issues broader than hedge accounting such as modifications of financial assets and liabilities. These amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The Company has not early adopted these amendments in 2020 and is currently assessing the impact on its financial statements. The Management identified no significant risk related to the IBOR transition at the time of publishing the financial statements due to its offsetting business structure with its Parent. The IBOR reform will not result in any significant changes to the measurement basis of the financial instruments of the Company because the majority of assets are held at fair value through profit or loss.

Standards and interpretations issued but not yet effective

- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 4, IFRS 9, IAS 39, IFRS 16 and IFRS 7);
- Covid-19-Related Rent Concessions (Amendment to IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 (not yet endorsed by the EU);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts (not yet endorsed by the EU);
- Amendments to IFRS 17 (not yet endorsed by the EU);
- Classification of liabilities as current or non-current (Amendments to IAS 1) (not yet endorsed by the EU);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed by the EU).

These new or amended standards are not expected to have a significant impact on the Company's financial statements.

(c) Foreign currencies

On 9 November 2018, the shareholder resolved to convert the presentation currency of the Company from EURO ("EUR") to United Stated Dollar ("USD" or "$"), with an effective date of 1st January 2018. Following the assessment of the Board that the functional currency of the Company as of 1st of January 2018 is USD.

In its assessment of the functional currency, the Board has used judgement and considered the underlying transactions, events and conditions applicable to the Company, as at 31 December 2018.

Whilst the Company's equity, tax payments and a majority of its administrative expenses are Euro-denominated, and the note issuance activity of the Company since 2018 has been done in various currencies, the majority has been issued in USD. The Board considers that note issuances will continue to occur mostly in USD. Furthermore, the decision will enable a better comparison of the Company's financial information with that of the rest of Citigroup, as CGML and Citigroup Inc. have USD as presentation currency.

2. Principal accounting policies (continued)

This change in functional currency as at 1st of January 2018 has been considered to lead to a change in presentational currency in accordance with IAS 1.

At the date of the statement of financial position monetary assets and liabilities were translated at the year-end rates of exchange and resulting translation differences were included in the statement of profit or loss and other comprehensive income. The whole monetary assets and liabilities of the Company are going throughout profit or loss exclusively. Any exchange profits and losses on non-monetary items are taken directly to the statement of profit or loss. Transactions in foreign currencies are measured in the functional currency of the primary economic environment in which the Company operates. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

(d) Net interest expense

Interest income and expense on financial assets and liabilities are recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method. The effective interest method is a way of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. Fair value changes on other financial assets and liabilities carried at fair value through profit or loss are presented in "net income from financial instruments at fair value through profit or loss" in the statement of profit or loss and other comprehensive income (refer to Note 2 (f)).

(e) Net fee and commission income

Net fee and commission income is recognised on a straight-line basis. Fee and commission income relates to intra-group financing (in the form of structured notes purchased, index linked certificates purchased and derivative assets) and administrative services for the benefit of CGML, and since 2017 is calculated on a 'cost plus margin' basis.

Fees received in connection with performed services are recognised as income in the period these services are provided.

(f) Net income from financial instruments at fair value through profit or loss

Net income from financial instruments mandatorily measured at fair value through profit or loss relates to financial assets and financial liabilities designated or mandatorily measured at fair value through profit or loss, and includes all realised and unrealised fair value changes, together with related interest, dividends and foreign exchange differences.

The Company issues notes to investors, who subscribe and pay the issue price. The same day, the Company enters into a fully funded swap with CGML. The fact that both transactions take place on the same day mitigates the Company against foreign exchange gain or loss.

(g) Derivatives

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

In the normal course of business, the fair value of a derivative on initial recognition is considered to be the transaction price (i.e. the fair value of the consideration given or received). However, in certain circumstances the fair value of an instrument will be evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, including interest rate yield curves, option volatilities and currency rates.

When such evidence exists, the Company recognises a trading profit or loss on inception of the derivative. If observable market data are not available, the initial increase in fair value indicated by the valuation model, but based on unobservable inputs, is not recognised immediately in the statement of profit or loss and other comprehensive income but is recognised over the life of the transaction on an appropriate basis, or recognised in the statement of profit or loss and other comprehensive income when the inputs become observable, or when the transaction matures or is closed out.

2. Principal accounting policies (continued)

(h) Financial instruments

Classification and measurement of the financial assets

From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)).

Categories for classification of assets under IFRS 9 are Fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 also allows entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

Business model

The Company issues structured notes, index linked certificates and derivatives and thereby raises funding to any entities belonging to the same group.

The primary objective of the Company is the granting of loans or other forms of funding directly or indirectly in whatever form or means to any entities belonging to the same group (e.g. including but not limited to, by subscription of bonds, debentures, other debt instruments, advances, the granting of pledges or the issuing of other guarantees of any kind to secure the obligations of any entities, through derivatives or otherwise).

The business model refers to how the Company manages its financial assets in order to generate cash flows. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. IFRS 9 identifies three types of business models:

- 'hold to collect',
- 'hold to collect and sell' and
- 'other'.

CGMFL's main financial assets are contracted on the trade date of a new structured note liability, which is the primary business driver of decisions related to managing portfolios of assets. On the trade date of the associated structured notes, the Company enters into an offsetting transaction with CGML by means of a swap. At the settlement date of the structured notes, the cash received from the investor is paid to CGML under this swap transaction. The transaction between the Company and CGML is designed to offset for the Company all the future payoffs which would result from the notes issued which effectively eliminates the market risk for the Company.

Any business decisions related to managing portfolios of the Company's assets are primarily driven by what happens with the Company's liabilities. As a result fair value and its movements are the key consideration in assessment of the performance of the assets.

Based on the above it has been concluded, that the business model selected for those is 'other' and as a result the assets would be classified as "Financial assets at fair value through profit and loss".

Fair value through profit or loss (FVTPL)

Where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is to both collect the cash flows and to sell the assets, then the asset will be classified as FVTPL.

If a portfolio of financial assets within a business model are managed on a fair value basis, then the business model assessment dictates that these financial assets are categorised and measured at fair value through profit or loss.

All hybrid contracts with embedded derivatives will fail the cash flow characteristics test under IFRS 9 (i.e., the cash flows are not solely payments of principal and interest of a basic lending arrangement).

2. Principal accounting policies (continued)

Following consideration of the above business model analysis, further analysis of the cash flow characteristics of the structured notes purchased or the index linked certificates purchased is not necessary as such hybrid financial assets, previously designated as FVTPL under IAS 39, will be mandatorily measured at fair value through profit or loss under IFRS 9 as per the reasons above.

Structured notes purchased, derivatives assets/ liabilities and index linked certificates purchased and redeemable preference shares have been mandatorily measured at fair value through profit or loss.

The only financial assets held at amortized cost are cash and cash equivalents. From a credit impairment perspective and the application of the expected credit loss model, there is expected to be an insignificant impact to the carrying value as the counterparty to such balances are very low in credit risk (financial institutions mainly intra group) and short term.

The Company has no financial instruments categorized at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are recognised at the trade date, whereas financial assets measured at amortised cost are recognised at the settlement date.

Financial Liabilities

Financial liabilities are initially measured at fair value net of transactions costs. Subsequently, they are measured at amortised cost using the effective interest rate method, except for derivative financial liabilities and those designated at fair value through profit or loss. On the trade date of a structured note issuance (usually hybrid instruments), the Company recognises a derivative, which between trade date and settlement date (the issuance date of the notes) is marked to market through P&L. When issuance proceeds are received at settlement date, derivative financial liabilities then become funded (i.e., become financings with embedded derivative features), and then are accounted for as financings with embedded derivatives.

Derivatives issued are mandatorily measured at fair value through profit or loss.

Financial liabilities designated at fair value

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

i) this will eliminate or significantly reduce measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases;
ii) groups of financial assets, financial liabilities or combinations thereof are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about groups of financial instruments is reported to Management on that basis.
iii) in respect of an entire hybrid contract, when the contract contains one or more embedded derivatives, unless those embedded derivative either do not significantly modify the cash flow that would otherwise be required by the contract or are ones for which it is clear with little or no analysis when considering a similar hybrid instruments that separation is prohibited.

The fair value designation, once made, is irrevocable. Designated financial instruments are initially recognised at fair value on issue date and subsequently re-measured at fair value. Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in fair value are reported in “net income from financial instruments at fair value through profit or loss”.

Structured notes issued and index linked certificates issued have been designated at fair value through profit or loss, as they meet criterion (i) above.

Credit Risk on the Company’s liabilities designated at fair value through profit or loss

Movements on gains or losses arising from an entity’s own credit risk relating to liabilities designated at fair value through profit or loss are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

2. Principal accounting policies (continued)

To determine whether split presentation would create or enlarge an accounting mismatch in profit or loss, the Company must assesses whether it expects that the changes in the financial liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at fair value through profit or loss (refer to Note 9 and Note 17).

As the financial assets of the Company are offsetting transactions linked to the Company's notes and index linked certificates issued, there would be an accounting mismatch if the own credit risk component was recognized in OCI. Therefore there will be no impact to the presentation of own credit risk in the Company due to the reasons discussed above (refer to Note 9).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as gains and losses from changes in the fair value of derivatives held for trading.

(i) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Where the classification of a financial instrument requires to be stated at fair value, this is determined by reference to the quoted market value in an active market wherever possible. Where no such active market exists for the particular instrument, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and valuation techniques.

The Company uses the following procedures to determine the fair value of financial assets and financial liabilities irrespective of whether they are "held for trading" or have been "designated at fair value" including an indication of the level in the fair value hierarchy in which each financial instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models and any significant assumptions.

Structured notes purchased / Structured notes issued

Structured notes purchased are offsetting transactions to the Company's notes issued (refer to below and Note 9) and take the form of fully-funded swaps, which are equivalent to the Company purchasing notes with the same economic exposure from CGML. By construction, the valuation of the structured notes issued by the Company corresponds to that of the underlying reference asset(s) on which their redemption amount is dependent. The Company's obligation to pay the redemption amount is offsetted through an instrument entered with CGML as counterparty, which exactly offsets all cash flows to be paid by the Company as well as any fair value changes.

Financial liabilities designated at fair value

CGML determines the fair value of the structured liabilities (where performance is linked to interest rates, inflation or currency risks) and hybrid financial instruments (where performance is linked to risks other than interest rates, inflation or currency risks) using derivative valuation methodology based on the nature of the embedded risk profile. The valuation techniques and inputs depend on the type and the nature of the underlying instrument. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, which may include option pricing models and discounted cash flow models which are used within CGML and Citigroup and which are subject to price verification procedures and related internal control procedures governed by Citigroup Pricing and Price Verification Policy and Standards. For the structured notes issued by the Company, typically all significant inputs and significant value drivers are observable on an active market, such as prices of shares and commodities, as well as published interest rates. When the availability of observable independent market data or pricing information for the significant valuation inputs of an instrument reduces or is not given anymore the structured notes issued will move to Level 3. The levelling assessment is done for all the financial instrument on a monthly basis.

2. Principal accounting policies (continued)

***Index linked certificates purchased / Index linked certificates issued* [1]**

Index linked certificates purchased from CGML are offsetting transactions to the Company's Index linked certificates issued and take the form of fully-funded swaps which are equivalent to the Company purchasing equity linked certificates with the same economic exposure from CGML. By construction, the valuation of the Index linked certificates issued by the Company corresponds to that of the underlying reference asset(s) on which their cash settlement amount is dependent. The Company's obligation to pay the settlement amount is offsetted through an instrument entered with CGML as counterparty, which exactly offsets all cash flows to be paid by the Company as well as any fair value changes.

CGML determines[2] the fair value of the Index linked certificates (where performance is linked to the underlying asset(s)' prices) using derivative valuation methodology based on the nature of the embedded risk profile. The valuation techniques and inputs depend on the type and the nature of the underlying instrument. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, which may include option pricing models and discounted cash flow models which are used within CGML and Citigroup and which are subject to price verification procedures and related internal control procedures governed by Citigroup Pricing and Price Verification Policy and Standards. For the Index linked certificates issued by the Company, typically all significant inputs and significant value drivers are observable on an active market, such as prices of shares and commodities, as well as published interest rates. When the availability of observable independent market data or pricing information for the significant valuation inputs of an instrument reduces or is not given anymore the Index linked certificates will move to Level 3.

Derivatives assets / Derivatives liabilities

Derivative assets from CGML are offsetting transactions to the Company's derivative liabilities (refer to below and Note 10) and take the form of fully-funded swaps which are equivalent to the Company purchasing equity linked certificates with the same economic exposure from CGML. Derivatives, if entered into by the Company, will generally be executed over-the-counter and so would be valued using internal valuation techniques as no quoted market prices would exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows, Black-Scholes and Monte Carlo simulation. The fair values of derivative contracts reflect cash the Company pays or receives (for example, option premiums paid and received).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying volatility and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable.

The Company does not apply any credit value adjustment (CVA), debit value adjustment (DVA) nor any own credit adjustment (OCA) in the valuation of its derivatives and borrowings as they are assessed by the Company to be not significant.

Other financial assets and liabilities

Carrying value has been used where it approximates fair value for other assets and other liabilities.

(j) Impairment of financial assets

The IFRS 9 impairment standard on expected credit loss ("ECL") applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income, to any off balance sheet loan commitments and financial guarantees and to any trade receivable.

The only financial assets held at amortized cost of the Company are cash and cash equivalents which are short term (3 months) and vanilla in nature. From a credit impairment perspective and the application of the expected credit loss model on transition, there is expected to be an insignificant impact to the carrying value as the counterparty to such balances are very low in credit risk (financial institutions mainly intra-group) and short term. There are therefore no credit impairment to be calculated.

[1] Index linked certificates were issued under the Citi Warrant Programme.
[2] The market risk of the instruments sits with CGML, who is also the product manufacturer and maintain quotes for secondary market as broker/dealer of the index linked certificates.

2. Principal accounting policies (continued)

(k) Derecognition (recognition) of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from assets has expired or the Company has transferred its contractual right to receive the cash flows of the financial assets and either substantially all the risks and rewards of ownership have been transferred or substantially all the risks and rewards have neither been retained nor transferred but control is not retained. Financial assets measured at fair value through profit or loss are derecognised (recognised) at the trade date, whereas financial assets measured at amortised cost are derecognised (recognised) at the settlement date.

Financial liabilities are derecognised when they are legally extinguished, that is when the obligation specified in the contract is substantially modified, exchanged, discharged, cancelled or expired. This generally means that (non-derivative) financial liabilities are derecognised (recognised) when cash is paid to the counterparty (received from the counterparty).

(l) 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.

Current tax assets and current tax liabilities are offset as the Company has the legal right and the intention to settle on a net basis.

(m) Provisions and contingent liabilities

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. This includes where the Company has undrawn loan commitments and a provision is made for expected losses.

On the trade date of an instrument involved, the Company is committed to issue a structured note to the investor, provided the investor pays for that note. As per the accounting policy in (k) above, the notes will be recognised on the balance sheet at the issuance date when the cash is received from the investor.

The Company will also be obligated pass on to CGML the cash received from the investor at the issuance date. This commitment is contingent upon cash being received from the investor from the note issuance, meaning if the investor does not pay then the Company has no obligation to give cash to CGML.

(n) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with original maturity of less than three months, including: cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks and amounts due from other banks. Cash and cash equivalents in the statement of cash flows include bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

(o) Redeemable preference shares

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Company’s redeemable preference shares are classified as financial liabilities because they are mandatorily redeemable in cash and they do not bear dividend. The redeemable preference shares have been mandatorily measured at fair value through profit or loss.

3. 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 the 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 in relation to valuation of financial instruments.

The Company's accounting policy for valuation of financial instruments is included in Note 2. The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. To the extent practical, models use only observable data. Where this is not possible, the Management may be required to make estimates. Further information about the valuation of financial instruments are disclosed in Note 11.

4. Net fee and commission income

	For the year ended 31 December 2020 $ 000	For the year ended 31 December 2019 $ 000
Net fee and commission income	1,928	1,735
Net fee and commission income	1,928	1,735

Net fee and commission income is recognized on a straight-line basis.

Fee and commission income relates to intra-group financing (in the form of structured notes purchased, index linked certificates purchased and derivative assets) and any administrative services (audit, regulatory, tax fees..) that the Company will suffer for the benefit of CGML in any jurisdictions, for any type of products and for any customers.

The Company generally provides these services described above in a principal capacity, whereby it has primary responsibility for fulfilling the contract with the customer.

Fee and commission income is recognised when the right to consideration has been obtained in exchange for performance of the respective services stated above and paid the following month.

As per the intercompany agreement signed with CGML in 2017 for an undefined period, the fee and commission income is calculated on a 'cost plus margin' basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Net income from financial instruments at fair value through profit or loss

	For the year ended 31 December 2020 $ 000	For the year ended 31 December 2019 $ 000
Gains/(Losses) from financial instruments mandatory measured at fair value through profit or loss	117,422	501,740
Structured notes	22,571	757,691
Index linked certificates	94,851	- 255,951
Derivatives with parent undertaking	121,471	- 117,649
Derivatives with third party	- 121,471	117,649
Gains/(Losses) from financial instruments designated at fair value through profit or loss	- 117,422	- 501,740
Structured notes	- 22,571	- 757,691
Index linked certificates	- 94,851	255,951
Net income from financial instruments at fair value through profit or loss	-	-

6. General and administrative expenses

	For the year ended 31 December 2020 $ 000	For the year ended 31 December 2019 $ 000
General and Administrative expenses	1,815	1,614
General and Administrative expenses	1,815	1,614

General and administrative expenses are mainly amounts charged by Citibank Europe plc, Luxembourg branch for administrative services provided to the Company and fees such as audit fees, banking fees, overdraft fees and transaction fees.

The Board made no charge for their services. No emoluments were received or are receivable by any of the Board in respect of their services to the Company during the period. The details regarding Board who are also Board of other group undertakings are disclosed in the financial statements of those companies.

Auditors' remuneration

Included within administrative expenses is auditors' remuneration (excluding VAT) as follows:

	For the year ended 31 December 2020 $ 000	For the year ended 31 December 2019 $ 000
Fees paid for the audit of the financial statements	584	558
Fees paid for the audit of the financial statements	584	558

As at 31 December 2020, USD 581 thousand (2019: USD 577 thousand) has been accrued by the Company in regards to the audit fees 2020 (including VAT).

7. Income tax expense

(a) Analysis of tax charge in the year

The Luxembourg corporate income tax rate applying to the Company was 25.69% for year ended 31 December 2020 (2019: 25.69%) in line with Luxembourg tax regulations.

	For the year ended 31 December 2020	For the year ended 31 December 2019
	$ 000	**$ 000**
Profit before tax	113	121
Current tax:		
Corporate income tax on profit for the year	29	37
Tax charge for the year	29	37

(b) Factors affecting tax charge for the year and reconciliation of effective tax rate

	For the year ended 31 December 2020	For the year ended 31 December 2019
	$ 000	**$ 000**
Profit before tax	113	121
Standard rate of corporate tax in Luxembourg of 25.69%	29	37
Tax charge for the year	29	37

The tax charges of USD 29 thousand are corresponding to a tax accrual for the year 2020 based on the profit before tax.

As at 31 December 2020, the Company had made tax advance payments to the tax authorities amounting to USD 22.0 thousand (2019: USD 21.7 thousand).

No deferred tax assets and liabilities have been recognized as at 31 December 2020 (2019: USD nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Reconciliation of movements of liabilities to cash flows arising from financing activities

		Cash Flows					Non-cash changes	
	For the year ended 31 December 2019	Interest paid on financial instruments issued	Proceeds from redeemable preference shares	Proceeds from issuance of financial instruments	Payments from maturity of financial instruments	Payments from redemption and retirement of financial instruments	Fair value changes *incl Foreign Exchange*	**For the year ended 31 December 2020**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Structured Notes	12,130,625	(427,118)	-	18,037,594	(3,172,783)	(10,490,574)	583,492	16,661,236
Derivatives	87,702	(214,358)	-	3,818,702	(1,752,165)	(996,437)	198,716	1,142,160
Index linked certificates	528,829	-	-	1,593,838	(913,000)	(611,998)	40,801	638,470
Redeemable preference shares	18	-	8	-	-	-	(3)	23
	12,747,174	**(641,476)**	**8**	**23,450,134**	**(5,837,948)**	**(12,099,009)**	**823,006**	**18,441,889**

		Cash Flows					Non-cash changes	
	For the year ended 31 December 2018	Interest paid on financial instruments issued	Proceeds from redeemable preference shares	Proceeds from issuance of financial instruments	Payments from maturity of financial instruments	Payments from redemption and retirement of financial instruments	Fair value changes *incl Foreign Exchange*	**For the year ended 31 December 2019**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Structured Notes	6,750,065	(321,030)	-	9,555,545	(1,540,366)	(3,814,976)	1,501,387	12,130,625
Derivatives	258,766	(21,702)	-	386,566	(341,060)	(251,045)	56,177	87,702
Index linked certificates	744,423	-	-	1,051,368	(589,469)	(595,358)	(82,135)	528,829
Redeemable preference shares	9	-	9	-	-	-	-	18
	7,753,263	**(342,732)**	**9**	**10,993,479**	**(2,470,895)**	**(4,661,379)**	**1,475,429**	**12,747,174**

9. Financial instruments designated and mandatorily measured at fair value through profit or loss

The proceeds of structured notes and index linked certificates issued by the Company form a source of senior unsecured funding, which the Company in turn passes on to the Group entity, CGML, as described below.

The notes and certificates issued are unsecured obligations of the Company. Holders of the notes or certificates are subject to the credit risk of the Company and more particularly that of CGML, the Company's Parent and guarantor of the notes and certificates. The notes and certificates are linked to underlying reference assets, which may be equities, commodities, bonds or indices comprising these assets, among others. The redemption or settlement amounts under the notes or certificates are typically subject to the performance of these underlying reference assets. Holders of notes or certificates have no right to the underlying assets themselves – they are only a reference and any linkage to them is synthetic. Occasionally notes may be redeemed early.

In order to offset its obligations to pay the redemption proceeds and/or settlement amounts or other interim amounts under the notes or certificates, the Company enters into offsetting transactions with its Parent, CGML. These offsetting transactions take the form of fully-funded swaps, which are equivalent to the Company purchasing notes or certificates with the same economic exposure from CGML. This means that proceeds received by the Company upon issuance of notes and certificates are paid to CGML under the offsetting swap on the note or certificate issue date. The Company will receive a compensating payment out of the offsetting swap from CGML during the term of the transaction for any payment to be incurred by the Company under the notes or index linked certificates it has issued. At maturity (or at an earlier redemption date, if applicable), the Company will redeem the notes or certificates with the proceeds it receives under the offsetting swap on the note or certificate maturity or redemption/settlement date.

The structured notes and index linked certificates issued are both accounted for as designated at fair value through profit or loss upon initial recognition as they are hybrid contracts which contain one or more embedded derivative which significantly modify the cash flow that would otherwise be required by the contract. The host contract and embedded derivative are measured as a package under the fair value option. The structured notes and index linked purchased are both mandatorily measured at fair value through profit or loss (refer to Note 2 (h)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Derivative assets and liabilities

The derivative liabilities are warrants issued in relation to the Citi Warrant Programme and unsettled structured notes and unsettled index linked certificates traded but not yet settled at the period end. Offsetting transactions are entered into by the Company with its Parent, CGML, which take the form of fully-funded swaps having the same economic exposures.

Derivatives are carried at fair value and shown separately in the statement of financial position as assets and liabilities. The table below analyses derivatives held by the Company:

	Asset		Liability		
	Notional	Fair value	Notional	Fair value	Net Amount
	$ 000	$ 000	$ 000	$ 000	$ 000
Warrants	1,143,163	1,124,655	(1,143,163)	(1,124,655)	-
Unsettled structured notes / unsettled index linked certificates	17,505	17,505	(17,505)	(17,505)	-
Total derivative contracts	1,160,668	1,142,160	(1,160,668)	(1,142,160)	-

For the year ended 31 December 2019

	Asset		Liability		
	Notional	Fair value	Notional	Fair value	Net Amount
	$ 000	$ 000	$ 000	$ 000	$ 000
Warrants	74,875	87,702	(74,875)	(87,702)	-
Total derivative contracts	74,875	87,702	(74,875)	(87,702)	-

In respect of unsettled structured notes and unsettled index linked certificates, the Company considers the fair value as notional until settlement. The full notional amounts of structure notes and index linked certificates traded and to be settled amounts to USD 520,235,710.

For the warrants the fair value of USD 1,595,977 are unsettled warrants that are traded but not yet settled at the period end, and is considered as notional until settlement. The full notional amounts of unsettled warrants traded and to be settled amounts to USD 221,600,000.

11. 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:

As at 31 December 2020	Mandatory measured at fair value through profit or loss	Designated at fair value through profit or loss	Amortised cost	Total carrying amount	Fair value
	$ 000	$ 000	$ 000	$ 000	$ 000
Assets					
Cash and cash equivalents	-	-	64,847	64,847	64,847
Structured notes purchased	16,661,236	-	-	16,661,236	16,661,236
Index linked certificates purchased	638,470	-	-	638,470	638,470
Derivative assets	1,142,160	-	-	1,142,160	1,142,160
Total financial assets	18,441,866	-	64,847	18,506,713	18,506,713
Other assets	-	-	-	147,390	147,390
Total assets	18,441,866	-	64,847	18,654,103	18,654,103
Liabilities					
Bank loans and overdrafts	-	-	65,633	65,633	65,633
Structured notes issued	-	16,661,236	-	16,661,236	16,661,236
Index linked certificates issued	-	638,470	-	638,470	638,470
Derivative liabilities	1,142,160	-	-	1,142,160	1,142,160
Redeemable preference shares	23	-	-	23	23
Total financial liabilities	1,142,183	17,299,706	65,633	18,507,522	18,507,522
Current tax liabilities	-	-	-	57	57
Other liabilities	-	-	-	145,526	145,526
Total liabilities	1,142,183	17,299,706	65,633	18,653,105	18,653,105

As at 31 December 2019	Mandatory measured at fair value through profit or loss	Designated at fair value through profit or loss	Amortised cost	Total carrying amount	Fair value
	$ 000	$ 000	$ 000	$ 000	$ 000
Assets					
Cash and cash equivalents	-	-	11,371	11,371	11,371
Structured notes purchased	12,130,625	-	-	12,130,625	12,130,625
Index linked certificates purchased	528,829	-	-	528,829	528,829
Derivative assets	87,702	-	-	87,702	87,702
Total financial assets	12,747,156	-	11,371	12,758,527	12,758,527
Other assets	-	-	-	625	625
Total assets	12,747,156	-	11,371	12,759,152	12,759,152
Liabilities					
Bank loans and overdrafts	-	-	287	287	287
Structured notes issued	-	12,130,625	-	12,130,625	12,130,625
Index linked certificates issued	-	528,829	-	528,829	528,829
Derivative liabilities	87,702	-	-	87,702	87,702
Redeemable preference shares	18	-	-	18	18
Total financial liabilities	87,720	12,659,454	287	12,747,461	12,747,461
Current tax liabilities	-	-	-	49	49
Other liabilities	-	-	-	10,728	10,728
Total liabilities	87,720	12,659,454	287	12,758,238	12,758,238

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Financial assets and liabilities (continued)

Given the short-term nature and characteristics of cash and cash equivalents and bank loans and overdrafts, the fair value is considered to approximate the carrying value.

The fair values are estimated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the asset or liability. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured.

The following table disclose the amount expected to be recovered within the following twelve months for each asset and liability line:

	FV of financial instruments maturing in 2021 $ 000	FV of financial instruments matured in 2020 $ 000
Assets		
Structured notes purchased	4,188,922	3,206,430
Index linked certificates purchased	343,003	270,590
Derivative assets	1,052,007	51,555
Cash and cash equivalents	64,847	11,371
Total	5,648,779	3,539,946
Other assets	147,390	625
Total	5,796,169	3,540,571

	FV of financial instruments maturing in 2021 $ 000	FV of financial instruments matured in 2020 $ 000
Liabilities		
Structured notes issued	4,188,922	3,206,430
Index linked certificates issued	343,003	270,590
Derivative liabilities	1,052,007	51,555
Redeemable preference shares	-	1
Bank loans and overdrafts	65,633	287
Total	5,649,565	3,528,863
Current tax liabilities	57	49
Other liabilities	145,526	10,728
Total	5,795,148	3,539,640

All figures are derived from the Liquidity table, disclosed in Note 17.

11. Financial assets and liabilities (continued)

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted 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: inputs that are unobservable. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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 considered in determining the liquidity of markets and the relevance of observed prices in those markets.

Financial instruments may move between levels in the fair value hierarchy when factors such as liquidity or the observability of pricing information, or of market input parameters, change. As conditions around these factors improve, financial instruments may transfer back to the original fair value level. The Company's policy with respect to transfers between levels of the fair value hierarchy is to recognise transfers into and out of each level as of the end of the reporting period.

Where available, the Company may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions are among the factors considered in determining the relevance of prices observed from those markets. If relevant and observable prices are available for all significant pricing inputs, those instruments would be classified as Level 2.

If relevant and observable market information is not available for significant pricing inputs, other valuation techniques would be used and the item would be classified as Level 3. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors or brokers. Vendors' and brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models, and the Company assesses the quality and relevance of this information in determining the fair value measurement and disclosure of each instrument if such information is used as part of that determination.

Set out below is a description of the procedures used by CGML to determine the fair value of financial assets and financial liabilities irrespective of whether they are measured at fair value mandatorily or have been designated as such. This description includes an indication of the level in the fair value hierarchy in which each financial instrument is generally classified. Where appropriate, it also includes details of the valuation models, the key inputs to those models and any significant assumptions.

Individual business units are responsible for providing the fair value measurements for substantially all trading account assets and liabilities. Fair value measurements of assets and liabilities are determined using various techniques including, but not limited to, discounted cash flows and internal models, such as option and correlation models. Management ensures that the resulting fair values are appropriate for financial reporting through an internal independent price verification process, which is defined and governed by established policies, standards and procedures. Results from this independent price verification process are reported to the Management via formally governed committees, as well as the firm's auditors and regulators.

Any pricing models used in measuring the fair value are governed by an independent control framework. Although the models are developed and tested by the individual business units, they are independently validated by the appropriate independent internal control functions, separate from the trading businesses. The purpose of this independent control framework is to assess model risk arising from models' theoretical soundness, calibration techniques where needed, and the appropriateness of the model for a specific product in a defined market. To ensure their continued applicability, models are subject to independent annual model review.

11. Financial assets and liabilities (continued)

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, approximate 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. Owing to the operational nature of the Company and the transfer of risk to the parent, the Company does not anticipate impact of Covid-19 in the fair value measurement.

The following table shows an analysis of financial assets and liabilities measured by fair value hierarchy:

As at 31 December 2020	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total $ 000
Financial assets				
Structured notes purchased	-	12,170,291	4,490,945	16,661,236
Index linked certificates purchased	-	575,376	63,094	638,470
Derivative assets	-	1,121,950	20,210	1,142,160
Total financial assets	-	13,867,617	4,574,249	18,441,866
Financial liabilities				
Structured notes issued	-	12,170,291	4,490,945	16,661,236
Index linked certificates issued	-	575,376	63,094	638,470
Derivative liabilities	-	1,121,950	20,210	1,142,160
Redeemable preference shares	-	23	-	23
Total financial liabilities	-	13,867,640	4,574,249	18,441,889

As at 31 December 2019	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total $ 000
Financial assets				
Structured notes purchased	-	8,772,601	3,358,024	12,130,625
Index linked certificates purchased	-	488,714	40,115	528,829
Derivative assets	-	76,472	11,230	87,702
Total financial assets	-	9,337,787	3,409,369	12,747,156
Financial liabilities				
Structured notes issued	-	8,772,601	3,358,024	12,130,625
Index linked certificates issued	-	488,714	40,115	528,829
Derivative liabilities	-	76,472	11,230	87,702
Redeemable preference shares	-	18	-	18
Total financial liabilities	-	9,337,805	3,409,369	12,747,174

11. Financial assets and liabilities (continued)

The below table presents the fair value of Level 3 financial instruments as at 31 December 2020 moved between the fair value hierarchy levels:

2020	At 1 January $ 000	Gain/(loss) $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December $ 000
Financial assets									
Structured notes purchased	3,358,024	274,069	-	-	3,179,456	(2,769,836)	517,514	(68,282)	4,490,945
Index linked certificates purchased	40,115	(17,786)	-	-	73,491	(33,074)	348	-	63,094
Derivative assets	11,230	18,124	-	-	1,696	(3,611)	3,532	(10,761)	20,210
	3,409,369	274,407	-	-	3,254,643	(2,806,521)	521,394	(79,043)	4,574,249

	At 1 January $ 000	Gain/(loss) $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December $ 000
Financial liabilities									
Structured notes issued	3,358,024	274,069	-	-	3,179,456	(2,769,836)	517,514	(68,282)	4,490,945
Index linked certificates issued	40,115	(17,786)	-	-	73,491	(33,074)	348	-	63,094
Derivative liabilities	11,230	18,124	-	-	1,696	(3,611)	3,532	(10,761)	20,210
	3,409,369	274,407	-	-	3,254,643	(2,806,521)	521,394	(79,043)	4,574,249

2019 restated *	At 1 January $ 000	Gain/(loss) $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December $ 000
Financial assets									
Structured notes purchased	1,672,162	290,909	-	-	2,277,456	(859,631)	197,495	(220,367)	3,358,024
Index linked certificates purchased	12,611	(7,037)	-	-	34,540	-	1	-	40,115
Derivative assets	10,458	3,110	-	-	-	(1,077)	124	(1,385)	11,230
	1,695,231	286,982	-	-	2,311,996	(860,708)	197,620	(221,752)	3,409,369

	At 1 January $ 000	Gain/(loss) $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December $ 000
Financial liabilities									
Structured notes issued	1,672,162	290,909	-	-	2,277,456	(859,631)	197,495	(220,367)	3,358,024
Index linked certificates issued	12,611	(7,037)	-	-	34,540	-	1	-	40,115
Derivative liabilities	10,458	3,110	-	-	-	(1,077)	124	(1,385)	11,230
	1,695,231	286,982	-	-	2,311,996	(860,708)	197,620	(221,752)	3,409,369

Transfers from Level 2 to Level 3 arise when the availability of observable independent market data or pricing information for the significant valuation inputs of an instrument reduces. Transfers from Level 3 to Level 2 can occur when observability of the independent market data or pricing information for significant valuation inputs improves, or where the significance of the unobservable inputs reduces sufficiently.

* As a consequence of an identified data problem with the Level 3 Rollforward table on the Long-Term Debt line, certain captions for the prior financial year have been restated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Financial assets and liabilities (continued)

Valuation techniques and significant unobservable inputs

Valuation uncertainty is computed on a quarterly basis based on the methodology used per instruments. Price or models input parameters will be adjusted in consequence if any impact across each product.

The adjustments are typically computed with reference to proxy analysis using third party data. Examples of the approach used to derive sensitivity adjustments are outlined below:

- Equity Markets: Valuation uncertainty is computed from a combination of consensus market data and proxy analysis using third party data providers.
- Credit Trading and Securitised Markets: Valuation uncertainty is computed from a combination of consensus market data, broker data and proxy analysis using third party data providers.
- Commodity Markets: Valuation uncertainty is computed from a combination of consensus market data and proxy analysis using third party data providers.

11. Financial assets and liabilities (continued)

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of 31 December 2020. Note that these tables represent key drivers by disclosure lines or underlying assets.

				Range of Inputs		
As at 31 December 2020	**Fair Value $ 000**	**Methodology**	**Input**	**Min**	**Max**	**Unit**
Financial assets						
Structured notes purchased						
Commodities structured notes	119,164	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity structured notes	1,090,706	Model-based	Equity Volatility	14.1	91.4	%
		Model-based	Forward Price	65.9	104.4	%
Hybrid structured notes	2,109,597	Model-based	Equity-FX Correlation	- 45.0	-	%
		Model-based	Equity-IR Correlation	13.0	45.0	%
		Model-based	Forward Price	65.9	104.4	%
		Model-based	Equity Volatility	5.0	91.4	%
Rates structured notes	1,171,478	Model-based	Inflation Volatility	0.5	2.5	%
		Model-based	IR Normal Volatility	0.1	0.7	%
		Model-based	IR-FX Correlation	- 31.9	73.8	%
		Model-based	IR-IR Correlation	- 10.0	56.1	%
		Model-based	FX Volatility	6.1	11.4	%
Index linked certificates purchased						
Commodities index linked certificates	470	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity index linked certificates	23,846	Model-based	Equity Volatility	5.0	91.4	%
		Model-based	Forward Price	65.9	104.4	%
Hybrid index linked certificates	38,778	Model-based	Equity-FX Correlation	- 45.0	-	%
		Model-based	Forward Price	96.4	104.4	%
		Model-based	Equity Volatility	5.0	21.1	%
		Model-based	Equity-IR Correlation	13.0	45.0	%
Derivative assets						
Commodities derivatives	1,024	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity derivatives	16,495	Model-based	Equity Volatility	14.1	91.4	%
		Model-based	Forward Price	65.9	98.1	%
Hybrid derivatives	136	Model-based	Forward Price	96.4	104.4	%
Rates derivatives	2,555	Model-based	Inflation Volatility	0.5	2.5	%
		Model-based	IR Normal Volatility	0.1	0.6	%

11. Financial assets and liabilities (continued)

As at 31 December 2020	Fair Value $ 000	Methodology	Input	Range of Inputs Min	Max	Unit
Structured notes issued						
Commodities structured notes	119,164	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity structured notes	1,090,706	Model-based	Equity Volatility	14.1	91.4	%
		Model-based	Forward Price	65.9	104.4	%
Hybrid structured notes	2,109,597	Model-based	Equity-FX Correlation	- 45.0	-	%
		Model-based	Equity-IR Correlation	13.0	45.0	%
		Model-based	Forward Price	65.9	104.4	%
		Model-based	Equity Volatility	5.0	91.4	%
Rates structured notes	1,171,478	Model-based	Inflation Volatility	0.5	2.5	%
		Model-based	IR Normal Volatility	0.1	0.7	%
		Model-based	IR-FX Correlation	- 31.9	73.8	%
		Model-based	IR-IR Correlation	- 10.0	56.1	%
		Model-based	FX Volatility	6.1	11.4	%
Index linked certificates issued						
Commodities index linked certificates	470	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity index linked certificates	23,846	Model-based	Equity Volatility	5.0	91.4	%
		Model-based	Forward Price	65.9	104.4	%
Hybrid index linked certificates	38,778	Model-based	Equity-FX Correlation	- 45.0	-	%
		Model-based	Forward Price	96.4	104.4	%
		Model-based	Equity Volatility	5.0	21.1	%
		Model-based	Equity-IR Correlation	13.0	45.0	%
Derivative liabilities						
Commodities derivatives	1,024	Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	- 44.9	95.9	%
Equity derivatives	16,495	Model-based	Equity Volatility	14.1	91.4	%
		Model-based	Forward Price	65.9	98.1	%
Hybrid derivatives	136	Model-based	Forward Price	96.4	104.4	%
Rates derivatives	2,555	Model-based	Inflation Volatility	0.5	2.5	%
		Model-based	IR Normal Volatility	0.1	0.6	%

11. Financial assets and liabilities (continued)

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of 31 December 2019. Note that these tables represent key drivers by disclosure lines or underlying assets.

As at 31 December 2019	Fair Value $ 000	Methodology	Input	Range of Inputs Min	Max	Unit
Financial assets						
Structured notes purchased						
Commodities structured notes	21,628	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
Equity structured notes	319,286	Model-based	Forward Price	62.6	111.1	%
		Model-based	Equity Volatility	10.7	21.9	%
Hybrid structured notes	2,655,935	Model-based	Equity-FX Correlation	- 75.0	37.3	%
		Model-based	Equity-IR Correlation	15.0	44.0	%
		Model-based	Forward Price	62.6	111.1	%
		Model-based	Equity Volatility	3.2	21.9	%
Rates structured notes	361,175	Model-based	Inflation Volatility	0.3	2.0	%
		Model-based	IR Normal Volatility	0.1	0.7	%
		Model-based	IR-FX Correlation	40.0	60.0	%
		Model-based	IR-IR Correlation	40.0	40.0	%
		Model-based	FX Volatility	3.4	11.3	%
Index linked certificates purchased						
Commodities index linked certificates	15,772	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
Equity index linked certificates	3,779	Model-based	Equity Volatility	10.7	44.1	%
		Model-based	Forward Price	62.6	111.1	%
Hybrid index linked certificates	20,564	Model-based	Equity-FX Correlation	- 75.0	37.3	%
		Model-based	Forward Price	97.6	111.1	%
		Model-based	Equity Volatility	3.2	18.2	%
Derivative assets						
Commodities derivatives	354	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
Equity derivatives	10,761	Model-based	Forward Price	62.6	101.3	%
		Model-based	Equity Volatility	10.7	21.9	%
Hybrid derivatives	115	Model-based	Forward Price	97.6	111.1	%
		Model-based	Equity Volatility	3.2	18.2	%

11. Financial assets and liabilities (continued)

				Range of Inputs		
As at 31 December 2019	**Fair Value $ 000**	**Methodology**	**Input**	**Min**	**Max**	**Unit**
Financial liabilities						
Structured notes issued						
Commodities structured notes	21,628	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
Equity structured notes	319,286	Model-based	Forward Price	62.6	111.1	%
		Model-based	Equity Volatility	10.7	21.9	%
Hybrid structured notes	2,655,935	Model-based	Equity-FX Correlation	- 75.0	37.3	%
		Model-based	Equity-IR Correlation	15.0	44.0	%
		Model-based	Forward Price	62.6	111.1	%
		Model-based	Equity Volatility	3.2	21.9	%
Rates structured notes	361,175	Model-based	Inflation Volatility	0.3	2.0	%
		Model-based	IR Normal Volatility	0.1	0.7	%
		Model-based	IR-FX Correlation	40.0	60.0	%
		Model-based	IR-IR Correlation	40.0	40.0	%
		Model-based	FX Volatility	3.4	11.3	%
Index linked certificates issued						
Commodities index linked certificates	15,772	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
Equity index linked certificates	3,779	Model-based	Equity Volatility	10.7	44.1	%
		Model-based	Forward Price	62.6	111.1	%
Hybrid index linked certificates	20,564	Model-based	Equity-FX Correlation	- 75.0	37.3	%
		Model-based	Forward Price	97.6	111.1	%
		Model-based	Equity Volatility	3.2	18.2	%
Derivative liabilities						
Commodities derivatives	354	Model-based	Forward Price	37.6	362.6	%
		Model-based	Commodity Volatility	5.3	93.6	%
		Model-based	Commodity Correlation	- 39.7	87.8	%
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		Model-based	Equity Volatility	10.7	21.9	%
Hybrid derivatives	115	Model-based	Forward Price	97.6	111.1	%
		Model-based	Equity Volatility	3.2	18.2	%

11. Financial assets and liabilities (continued)

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability.

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

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

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

Recovery
Recovery is the proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. For many credit securities (such as asset-backed securities), there is no directly observable market input for recovery, but indications of recovery levels are available from pricing services. The assumed recovery of a security may differ from its actual recovery that will be observable in the future. The recovery rate impacts the valuation of credit securities. Generally, an increase in the recovery rate assumption increases the fair value of the security. An increase in loss severity, the inverse of the recovery rate, reduces the amount of principal available for distribution and, as a result, decreases the fair value of the security.

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

Volatility
Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to Citi of maintaining a given level of exposure increases because more frequent rebalancing of the portfolio is required. Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike are not observable. The general relationship between changes in the value of a portfolio to changes in volatility also depends on changes in interest rates and the level of the underlying index. Generally, long option positions (assets) benefit from increases in volatility, whereas short option positions (liabilities) will suffer losses. Some instruments are more sensitive to changes in volatility than others. For example, an at-the-money option would experience a larger percentage change in its fair value than a deep-in-the-money option. In addition, the fair value of an option with more than one underlying security (for example, an option on a basket of bonds) depends on the volatility of the individual underlying securities as well as their correlations.

Correlation
Correlation is a measure of the co-movement between two or more variables. A variety of correlation-related assumptions are required for a wide range of instruments, including equity baskets, foreign-exchange options and many other instruments. For almost all of these instruments, correlations are not observable in the market and must be estimated using historical information. Estimating correlation can be especially difficult where it may vary over time. Extracting correlation information from market data requires significant assumptions regarding the informational efficiency of the market (for example, swaption markets). Changes in correlation levels can have a major impact, favourable or unfavourable, on the value of an instrument, depending on its nature.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Financial assets and liabilities (continued)

Qualitative discussion of the ranges of significant unobservable inputs

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

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

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

Credit Spread
Credit spread is relevant primarily for fixed income and credit instruments; however, the ranges for the credit spread input can vary across instruments. For example, certain fixed income instruments, such as certificates of deposit, typically have lower credit spreads, whereas certain derivative instruments with high-risk counterparties are typically subject to higher credit spreads when they are uncollateralized or have a longer tenor. Other instruments, such as credit default swaps, also have credit spreads that vary with the attributes of the underlying obligor. Stronger companies have tighter credit spreads, and weaker companies have wider credit spreads.

Volatility
Similar to correlation, asset-specific volatility inputs vary widely by asset type. For example, ranges for foreign exchange volatility are generally lower and narrower than equity volatility. Equity volatilities are wider due to the nature of the equities market and the terms of certain exotic instruments. For most instruments, the interest rate volatility input is on the lower end of the range; however, for certain structured or exotic instruments (such as market-linked deposits or exotic interest rate derivatives), the range is much wider.

Correlation
There are many different types of correlation inputs, including credit correlation, cross-asset correlation (such as equity-interest rate correlation), and same-asset correlation (such as interest rate-interest rate correlation). Correlation inputs are generally used to value hybrid and exotic instruments. Generally, same-asset correlation inputs have a narrower range than cross-asset correlation inputs. However, due to the complex nature of many of these instruments, the ranges for correlation inputs can vary widely across portfolios.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Financial assets and liabilities (continued)

Financial instruments which are not measured at fair value

The Company's financial instruments which are not measured at fair value are Cash and cash equivalents. Due to the fact that the carrying amount of cash and cash equivalents is a reasonable approximation of fair value due to the short term nature of the balances the Company decided not to disclose the fair value according to the specifications of IFRS 7.

12. Share capital and reserves

Share Capital

As at 31 December 2020

		Authorised		Allocated, called-up and fully paid
	Number of shares	Nominal value	Amount	Amount
		$	$	$
Unlimited shares	1	1.2536	1.2536	0.31
Limited shares	1,999,999	1.2536	2,507,199	626,799.69
	2,000,000		2,507,200	626,800

The capital has been subscribed as follows:

	Number of unlimited shares	Number of limited shares	Allocated, called-up and fully paid Amount $
Citigroup Global Markets Funding Luxembourg GP S.à r.l.	1	1	0.62
Citigroup Global Markets Limited	-	1,999,998	626,799.38
	1	1,999,999	626,800

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

12. Share capital and reserves (continued)

On 24 May 2012, the date of the Company's incorporation, one-quarter (USD 626,800 equivalent to EUR 500,000) of the subscribed share capital was paid up. The nominal value of both unlimited and limited shares is EUR 1 or USD 1.2536.

The Managers do not recommend the payment of a dividend.

On 30 October 2015 the Company's statutes were amended in order to enable it to issue preference shares to CGML. The preference shares do not foresee the right of dividend payments. During the financial year 2020 the Company issued 72 redeemable preference shares for a proceed amount of USD 8,348 (2019: 79 redeemable preference shares for a value of USD 9,666). The redeemable preference shares issued in the financial year are classified as a financial liability and presented in the caption "Redeemable preference shares" because they are mandatorily redeemable in cash in accordance with the Issuance Terms.

Legal Reserve

Under Luxembourg law, the Company is required to allocate annually at least 5% of its annual net income to a non-distributable legal reserve until the aggregate reserve equals 10% of the subscribed share capital.

On 26 April 2018, the Board recommended to incorporate EUR 50,000 equivalent to USD 60,515 to the legal reserve.

On 22 May 2019, the Board recommended to incorporate USD 2,000 to the legal reserve.

During 2020, there were no additional reserves incorporated to the total legal reserve, as the above stated requirement had already been reached.

13. Other assets and other liabilities

The other assets and other liabilities as at 31 December 2020 are mainly related to short-term cash pending items linked to issuance or settlement of financial instruments.

In order to better represent the nature of these pending items, it has been decided to present them on a gross basis, impacting both "other assets" and "other liabilities". The presentation on a gross basis for 2019 requiring significant undue cost and effort, it has been decided not to restate the comparative figures. Should the cash pending items have been presented on a net basis for 2020, a net impact of USD 5,118,706 would have been disclosed in "other liabilities" in the statement of financial position as at 31 December 2020.

14. Related parties transactions

The Company defines related parties as the Board, 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 cash and cash equivalent balances deposited with affiliated undertakings, as well as structured notes, index linked certificates purchased and derivatives, which are offsetting transactions to the structured notes, index linked certificates and derivatives issued by the Company, as further described in Note 9, Note 10 and Note 11.

The Company is also remunerated for the services rendered as issuer to CGML (refer to Note 4). Services provided between related parties are on an arm's length basis.

No provisions have been recognised in respect of deposits with related parties or structured notes purchased.

The table below summarises balances with related parties. There were no related party transactions with the Ultimate Parent Company, Citigroup Inc..

14. Related parties transactions (continued)

	As at 31 December 2020		
	Parent undertaking $ 000	Other affiliated undertakings $ 000	Total $ 000
Assets			
Cash and cash equivalents	-	64,776	64,776
Structured notes purchased	16,661,236	-	16,661,236
Index linked certificates purchased	638,470	-	638,470
Derivative assets	1,123,898	-	1,123,898
Other assets	145,778	1,539	147,317
Liabilities			
Bank loans and overdrafts	-	65,633	65,633
Derivative liabilities	18,262	-	18,262
Redeemable preference shares	23	-	23
Other liabilities	101	-	101
Statement of comprehensive income			
Net fee and commission income	1,928	-	1,928
General and administrative expenses	-	(293)	(293)
Net income from financial instruments at fair value through profit or loss	238,893	-	238,893

	As at 31 December 2019		
	Parent undertaking $ 000	Other affiliated undertakings $ 000	Total $ 000
Assets			
Cash and cash equivalents	-	11,371	11,371
Structured notes purchased	12,130,625	-	12,130,625
Index linked certificates purchased	528,829	-	528,829
Derivative assets	87,702	-	87,702
Other assets	625	-	625
Liabilities			
Bank loans and overdrafts	-	(287)	(287)
Redeemable preference shares	18	-	18
Statement of comprehensive income			
Net fee and commission income	1,735	-	1,735
General and administrative expenses	(293)	-	(293)
Net income from other financial instruments at fair value through profit and loss	619,389	-	619,389

14. Related parties transactions (continued)

The Company's accounting policy foresees to include income from financial assets and financial liabilities designated at fair value through profit or loss on a net basis in the caption 'Net income from financial instruments at fair value through profit or loss', and includes all realised and unrealised fair value changes, together with related interest, dividends and foreign exchange differences (refer to Note 2(f)).

15. Managers' remuneration

During the current year and prior period no member of the Board received any remuneration in respect of services provided to the Company.

16. Employee involvement

There were no persons employed by the Company during the year (2019: none) and no persons have been employed by the Company since the year end.

17. Financial instruments and risk management

The Covid-19 pandemic has become global, affecting all of the countries and jurisdictions where the Company operates. The pandemic and responses to it have had, and will likely continue to have, severe impacts on global health and economic conditions. These impacts will continue to evolve by region, country or state, largely depending on the duration and severity of the public health consequences, including the duration and further spread of the coronavirus, the potential for new variants of the virus, timely development, production and distribution of effective vaccines, availability of therapeutics, public response and government actions.

Strategies and initiatives will continue to depend significantly on future developments globally, which are uncertain and cannot be predicted, including the course of the virus, as well as any delay or weakness in the economic recovery or further economic downturn.

The pandemic may not be contained for an extended period of time. A prolonged health crisis could further reduce economic activity in countries, resulting in additional declines in employment and business and consumer confidence. These factors could further negatively impact global economic activity and markets; cause a continued decline in the demand for the Company's products and services and in its revenues; and further increase the Company's credit and other costs.

In 2020, as the result of the Covid-19 pandemic and associated lockdowns from March onward, employee occupation of Citigroup offices was heavily reduced. Citigroup told all employees to work from home where possible and invested in upgrading video conferencing and online meeting tools in order to facilitate this transition.

With a phased return to office scheduled for 2021, Citigroup's video conferencing and remote-working tools will stay in place, ensuring employees don't travel for work unless necessary until government guidelines allow and satisfy Citigroup's own safety and Covid-19 policies.

While the Company continues to monitor the impact of the pandemic, to date there have been no adverse effects. CGMFL's issuance business was strong in 2020 and it has continued to grow in 2021 as of the date of publication of this report. Owing to the operational nature of the Company and the transfer of risk to the parent, the Company does not anticipate any adverse effects for the next twelve months.

(a) Risk management

The management of risk within Citigroup is across four dimensions: businesses, legal entities, regions and 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.

17. Financial instruments and risk management (continued)

There are also Regional Chief Risk Officers, accountable for the risks in their geographic area and are primary risk contact for the regional business heads and local regulators. In addition, the position of Product Chief Risk Officers exists for those areas of critical importance to Citigroup such as real estate, structured credit products and fundamental credit. The Product Risk Officers are accountable for the risks within their specialty and they focus on problem areas across businesses and regions. The Product Risk Officers serve as a resource to the Chief Risk Officer, as well as to the Business and Regional Chief Risk Officers, to better enable the Business and Regional Chief Risk Officers to focus on the day-to-day management of risks and respond in a timely manner to business needs. Risk management within the Company is overseen by the Regional Risk Manager along with the managers for the different risk types within the region, such as market risk, liquidity risk, credit risk and operational risk.

Finance & Risk Infrastructure (FRI) is a Citigroup global function that was established to implement common data and data standards, common processes and integrated technology platforms globally as well as to integrate infrastructure activities across both Finance and Risk. FRI works to drive straight through data processing and produce more effective and efficient processes and governance aimed at supporting both the Finance and Risk organisations. The head of the FRI global function reports into Citigroup's CFO and Chief Risk Officer.

While the management of risk is the collective responsibility of all employees, Citigroup and the Company assign accountability into three lines of defence:

- first line of defence: the business owns all of its risks and is responsible for the management of those risks;
- second line of defence: the Company's control functions (e.g. risk, finance, compliance, etc.) establish standards for the management of risks and effectiveness of controls; and
- third line of defence: Citigroup's internal audit function independently provides assurance, based on a risk-based audit plan, that processes are reliable and governance and controls are effective.

The Company applies Citigroup's global risk management framework, tailored as appropriate for the Company, based on the following principles established by the Citigroup Chief Risk Officer:

- a defined risk appetite, aligned with business strategy;
- accountability through a common framework to manage risks;
- risk decisions based on transparent, accurate and rigorous analytics;
- a common risk capital model to evaluate risks;
- expertise, stature, authority and independence of risk managers; and
- risk managers empowered to make decisions and escalate issues.

A Citi-wide (including an EMEA-based) Business Practices Committee (BPC) reviews practices involving reputational or franchise issues. These committees review whether Citi's business practices have been designed and implemented in a way that meets the highest standards of professionalism, integrity and ethical behaviour.

Additional committees ensure that product risks are identified, evaluated and determined to be appropriate for Citi and its customers, and safeguard the existence of necessary approvals, controls and accountabilities.

Even if the Company is evolving among a Global Bank, the Company is still the main responsible for managing each risks from a Luxembourg perspective.

(b) Market risk

Market risk is the risk to earnings or capital from adverse changes in market factors such as interest rates, foreign exchange rates, equity and commodity prices, as well as their implied volatilities and other higher order factors.

The Company does not undertake any intermediation activities for third parties and in particular does not act as broker for either trading securities or entering into derivatives transactions or securities lending operations for third parties such as other financial institutions or investment funds. All activities of the Company are for its own account.

The Company is hedging internally with CGML to reduce market risk associated with its transactions. By construction, the market risk of notes, certificates or derivatives issued by the Company corresponds to that of the underlying reference asset(s) on which their redemption amount is dependent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial instruments and risk management (continued)

The Company's obligation to pay the redemption amount is offsetted through an instrument with CGML as counterparty, which exactly offsets all cash flows to be paid by the Company as well as any fair value changes (refer to Note 9, Note 10, and Note 11). Consequently, the Company effectively does not bear any market risk on the notes, certificates or derivatives it issues. Any market risk is faced by CGML, which in turn manages its market risk in accordance with the principals set out briefly below.

Market risk is measured through a complementary set of tools, including factor sensitivities, Value at Risk (VaR), and stress testing. Each of these is discussed in greater detail below. Each business has its own market risk limit framework, encompassing these measures and other controls, including permitted product lists and a new product approval process for complex products.

The Company's VaR reports are circulated daily for monitoring of:

- the VaR usage against the overall VaR limit;
- the standalone VaR by market risk factor;
- the component Value at Risk (CVaR) contribution to total VaR; and
- the stressed VaR. As well as an overall VaR limit, the Company has factor sensitivity limits in place for each market risk factor that are monitored daily.

Factor sensitivities

Factor sensitivities are defined as the change in the value of a position for a defined change in a market risk factor (e.g. the change in the value of a Treasury bill for a one basis point change in interest rates). It is the responsibility of each business to seek to ensure that factor sensitivities are calculated and reported for all relevant risks taken within a trading portfolio.

VaR methodology

VaR estimates the potential decline in the value of a position or a portfolio, under normal market conditions, over a specified holding period and confidence level. The VaR methodology developed and applied at Citi at a global level is also used at subsidiary level, including the Company. The Citi standard is a one-day holding period, at a 99 per cent confidence level. The VaR methodology incorporates the factor sensitivities of the trading portfolio and the volatilities and correlations of those factors. The Company's VaR is based on the volatilities of, and correlations between, a wide range of market risk factors, including factors that track the specific issuer risk in debt and equity securities. VaR statistics can be materially different across firms due to differences in portfolio composition, differences in VaR methodologies, and differences in model parameters. Citi believes that VaR statistics can be used more effectively as indicators of trends in risk taking within a firm, rather than as a basis for inferring differences in risk taking across firms.

Citi and the Company use Monte Carlo simulation, which they believe is conservatively calibrated to incorporate the greater of short-term (most recent month) and long-term (three years) market volatility. The Monte Carlo simulation involves approximately 300,000 market factors, making use of 180,000 time series, with market factors updated daily and model parameters updated weekly.

VaR limitations

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

A VaR limit is in place for CGML, to ensure that any excesses are discussed and resolved between risk officers and the business and entity Management. This limit is complemented by the factor sensitivity triggers defined above.

17. Financial instruments and risk management (continued)

Although it provides a valuable guide to risk, VaR should also be viewed in the context of its limitations:
- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those of an extreme nature;
- the use of a one day holding period assumes that all positions can be liquidated or their risks offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one day holding period may be insufficient to fully liquidate or hedge positions;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this confidence level;
- VaR is calculated on the basis of exposures outstanding at close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Stress Testing

Stress testing is performed on portfolios on a weekly basis to estimate the impact of extreme market movements. Stress testing is performed on individual portfolios, as well as on aggregations of portfolios and businesses, as appropriate. It is the responsibility of independent market risk management, in conjunction with the businesses, to develop stress scenarios, review the output of periodic stress testing exercises, and use the information to make judgments as to the on-going suitability of exposure levels and limits.

(c) Currency exposures

The main operating or functional currency of the Company is US dollar, as described in Note 2 (c). Since the Company prepares its financial statements in US dollar, the Company's statement of financial position is affected by movements between US dollar and other currencies. These net currency exposures are shown in the following table.

	As at 31 December 2020								
$ 000	**EUR**	**GBP**	**CHF**	**AUD**	**RUB**	**JPY**	**SEK**	**Others**	**Total**
USD equivalent	111	(244)	(35)	21	367	6	(45)	(0)	181

	As at 31 December 2019								
$ 000	**EUR**	**GBP**	**CHF**	**AUD**	**RUB**	**JPY**	**SEK**	**Others**	**Total**
USD equivalent	(1,055)	(53)	(9)	(1)	59	(15)	(37)	(11)	(1,122)

The comparative figures have been updated with two additional currencies relevant to 2020.
Transactional currency exposures occur as a result of normal operations and/or cross-border transactions within Citigroup.

(d) 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 effectively does not face significant liquidity risk as all cash flows relating to interest and principal payments on the structured notes, certificates and derivatives issued by the Company are exactly matched by offsetting transactions with CGML, which results in net liquidity exposure of USD Nil for the Company. As issuer of the structured notes, index linked certificates and derivatives, the Company itself does not make any representation as to investors' ability to sell these notes, certificates and derivatives back to the Company at any time. As such, investors take the risk of the structured notes, index linked certificates and derivatives being illiquid – this is further described in the "Risk Factors" section of the base prospectuses under which the Company issues such structured notes, certificates and derivatives.

In the Secondary Market structured notes, warrants or certificates may become illiquid. It is not possible to predict the price at which structured notes, warrants or certificates will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may, but is not obliged to, list structured notes, warrants or certificate on a stock exchange. If they are not listed or traded on any exchange, pricing information for the structured notes, warrants or certificates may be more difficult to obtain and their liquidity may be adversely affected.

17. Financial instruments and risk management (continued)

Management of liquidity risk at CGML is the responsibility of the Corporate Treasury function. A uniform liquidity risk management policy exists for Citigroup ("Citi Global Liquidity Risk Management Policy") and its major operating subsidiaries. The Policy establishes the standards for defining, measuring, limiting and reporting liquidity risk to ensure the transparency and comparability of liquidity risk taking activities and the establishment of an appropriate risk appetite.

The forum for liquidity issues at CGML is the UK Asset/Liability Management Committee ("ALCO"). CGML's liquidity position is calculated and reported to Senior Management on a daily basis and reviewed formally by the UK ALCO committee and Board of Board.

A liquidity plan is prepared annually and the liquidity profile is monitored on an on-going basis and reported daily. 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 statement of financial position as well as of the economic and business conditions impacting the major operating 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.

Given the range of potential stresses, Citigroup maintains a series of contingency funding plans on a consolidated basis as well as for individual entities, including the Company. The Contingency Funding Plan (CFP) is a key component of the Global Framework and it incorporates the Management plan of contingent actions in the event of crisis. The Company's CFP includes the "playbook" for addressing liquidity and funding challenges in crisis situations, triggers, procedures, roles and responsibilities, communication plan and key contact list to manage a liquidity event. The CFP defines a crisis committee responsible for decision making and execution of contingency plans to address both short-term and longer term disruptions in funding sources.

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

As at 31 December 2020	Less than 3 month $ 000	Greater than 3 months and less than 1 year $ 000	Greater than 1 year and less than 5 years $ 000	Greater than 5 years $ 000	Total $ 000
Assets					
Cash and cash equivalents	64,847	-	-	-	64,847
Structured notes purchased	1,381,193	2,807,729	6,562,426	5,909,888	16,661,236
Index linked certificates purchased	132,198	210,805	277,357	18,110	638,470
Derivative assets	750,008	301,999	88,031	2,122	1,142,160
Other assets	138,600	8,790	-	-	147,390
Total assets	2,466,846	3,329,323	6,927,814	5,930,120	18,654,103
Liabilities					
Bank loans and overdrafts	65,633	-	-	-	65,633
Structured notes issued	1,381,193	2,807,729	6,562,426	5,909,888	16,661,236
Index linked certificates issued	132,198	210,805	277,357	18,110	638,470
Derivative liabilities	750,008	301,999	88,031	2,122	1,142,160
Redeemable preference shares	-	-	15	8	23
Other liabilities	143,719	1,807	-	-	145,526
Current tax liabilities	-	57	-	-	57
Total liabilities	2,472,751	3,322,397	6,927,829	5,930,128	18,653,105
Net liquidity surplus +/ (gap) – as at 31 December 2020	(5,905)	6,926	(15)	(8)	998

17. Financial instruments and risk management (continued)

As at 31 December 2019	Less than 3 month $ 000	Greater than 3 months and less than 1 year $ 000	Greater than 1 year and less than 5 years $ 000	Greater than 5 years $ 000	Total $ 000
Assets					
Cash and cash equivalents	11,371	-	-	-	11,371
Structured notes purchased	483,103	2,723,327	4,525,113	4,399,082	12,130,625
Index linked certificates purchased	119,933	150,657	258,239	-	528,829
Derivative assets	28,262	23,293	35,196	951	87,702
Other assets	-	625	-	-	625
Total assets	642,669	2,897,902	4,818,548	4,400,033	12,759,152
Liabilities					
Bank loans and overdrafts	287	-	-	-	287
Structured notes issued	483,103	2,723,327	4,525,113	4,399,082	12,130,625
Index linked certificates issued	119,933	150,657	258,239	-	528,829
Derivative liabilities	28,262	23,293	35,196	951	87,702
Redeemable preference shares	-	1	8	9	18
Other liabilities	-	10,728	-	-	10,728
Current tax liabilities	-	49	-	-	49
Total liabilities	631,585	2,908,055	4,818,556	4,400,042	12,758,238
Net liquidity surplus +/ (gap) – as at 31 December 2019	11,084	(10,153)	(8)	(9)	914

From a liquidity perspective the Company was set up to be cash neutral, and as such, the Company is supposed to have a strict minimum of cash balance. Fluctuations of cash and cash equivalents and bank loans and overdrafts is directly linked the normal business activity of the Company and evolution of the Company's issuance of structured notes, index linked certificates and derivatives.

(e) Credit risk

The Company defines credit risk as the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations.

The Company's exposure to credit risk mainly relates to the counterparty risk of its Parent, CGML, in respect of cash and cash equivalents, and structured notes, index linked certificates and derivative assets purchased as offsetting positions for the structured notes, index linked certificates and derivative liabilities issued by the Company. The structured notes, index linked certificates issued and the offsetting positions taken by the Company in relation to the notes and certificates are both fully-funded, which means that the Company is not subject to external credit risk outside Citigroup. Further the derivatives issued by the Company have offsetting transactions entered into with its Parent, CGML, which takes the form of swaps having the same economic exposures. As a consequence of the above, the Company's exposure to geographical concentration risk mainly relates to that of its Parent.

During 2017, CGML implemented a concentration risk management framework which included the introduction of risk limits by relationship, country and industry.

17. Financial instruments and risk management (continued)

The credit process established at CGML is grounded in a series of fundamental policies, including:

- joint business and independent risk management responsibility for managing credit risks;
- single centre of control for each credit relationship that coordinates credit activities with that client;
- a requirement for a minimum of two authorised credit officer signatures on extensions of credit; one from a sponsoring credit officer in the business and one from a credit officer in independent credit risk management;
- consistent risk rating standards, applicable to every Citi obligor and facility; consistent standards for credit origination documentation and remedial management; and
- portfolio limits to ensure diversification and maintain risk/capital alignment.

The structured notes, index linked certificates and derivatives issued by the Company are subject to the credit risk of CGML, as these are unsecured and stated to be subject to the credit risk of CGML. The Company's maximum exposure to credit risk as at 31 December 2020 amounts to USD 18,506.7 million (2019: USD 12,758.5 million) as shown in the following table:

	As at 31 December 2020 (in $ 000)		
Rating (Moody's / S&P / Fitch)	**Baa2 / A- to A / A**	**n.r. / n.r. / n.r.**	**Total**
Assets			
Cash and cash equivalents	64,847	-	64,847
Structured notes purchased	16,661,236	-	16,661,236
Index linked certificates purchased	638,470	-	638,470
Derivative assets	1,123,898	18,262	1,142,160
Total financial assets	18,488,451	18,262	18,506,713

	As at 31 December 2019 (in $ 000)		
Rating (Moody's / S&P / Fitch)	**Baa2 / A- to A / A**	**n.r. / n.r. / n.r.**	**Total**
Assets			
Cash and cash equivalents	11,371	-	11,371
Structured notes purchased	12,130,625	-	12,130,625
Index linked certificates purchased	528,829	-	528,829
Derivative assets	87,702	-	87,702
Total financial assets	12,758,527	-	12,758,527

17. Financial instruments and risk management (continued)

Credit Quality	As at 31 December 2020 (in $ 000)			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Assets				
Cash and cash equivalents	64,847	-	-	64,847
Structured notes purchased	16,661,236	-	-	16,661,236
Index linked certificates purchased	638,470	-	-	638,470
Derivative assets	1,142,160	-	-	1,142,160
Total financial assets	18,506,713	-	-	18,506,713

Credit Quality	As at 31 December 2019 (in $ 000)			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Assets				
Cash and cash equivalents	11,371	-	-	11,371
Structured notes purchased	12,130,625	-	-	12,130,625
Index linked certificates purchased	528,829	-	-	528,829
Derivative assets	87,702	-	-	87,702
Total financial assets	12,758,527	-	-	12,758,527

The Company has no notes with renegotiated terms as at 31 December 2020 (2019: none).

The Company holds no collateral in relation to the above financial assets as at 31 December 2020 (2019: none).

(f) Country risk

Country risk is defined by the Company as the risk that an event in a country (precipitated by developments within or external to a country) will impair the value of Citigroup's franchise or will adversely affect the ability of obligors within that country to honour their obligations to Citigroup. Country risk events may include sovereign defaults, banking defaults or crises, currency crises and/or political events.

The Company effectively does not face significant exposure to country risk. Given the nature of the structured notes, index linked certificates and derivatives issued by the Company, which passes risk in the underlying reference assets to investors, and the Company's corresponding offsetting position with CGML, the Company has limited exposure to country risk itself (other than country risk associated with the United Kingdom as the domicile of CGML, and any country risk arising in Luxembourg itself).

Following the UK referendum on EU membership in June 2016, Citi established a formal programme ("Project Arch") to deliver a coordinated response to the UK's decision to leave the EU. The UK's membership of the EU came to an end on 31st January 2020 following the ratification by the UK and the EU of the Withdrawal Agreement with a transition period. The Brexit transition period ended at 11:00pm (UK) on 31st December, 2020, resulting in EU laws, rules and regulations no longer being applicable to the UK. For Financial Services, and Citi, the UK has on-shored a number of rules and regulations in addition to outlining transitional powers and availing of temporary permissions regime, where appropriate.

Given the uncertainties in the final outcome of the UK's negotiations with the EU, CGML assumed a "Hard" Brexit scenario in its contingency planning, without an extended transition period or an agreed deal. The scenario therefore assumed a loss of EU passporting at the end of transition period on 31st December, 2020.

17. Financial instruments and risk management (continued)

The key objective of Project Arch was to design and implement a strategy that would allow Citi to continue servicing its clients in the EEA and UK with minimal disruption, whilst maintaining simplicity and transparency.

Across the impacted legal entities, Citi is operationally ready to support its clients following Brexit. Citi continues to monitor Brexit related political, legislative and regulatory considerations, for its EEA based client activities and all impacted legal entities.

In preparation for Brexit and to minimise client and market disruption, CGML aimed to maintain its existing EEA client, counterparty and Financial Market Infrastructure (FMI) relationships by making use of cross-border licences or licence exemptions in certain EEA jurisdictions, where available. Where such cross-border licences and licence exemptions were not available, EEA client facing activities were transferred to Citigroup Global Markets Europe AG (CGME, Citi's EEA Investment Firm and a wholly owned subsidiary of CGML) or Citibank Europe plc (CEP) in certain instances, to ensure continuity of services and products. CGME and CEP were operationally ready by 31st December 2020 and commenced provision of Markets & Securities Services to certain EU-based clients based on their preference to migrate their activity to the EU.

Further, as a part of Citi's Brexit Day 1 strategy, activities in CGML's existing EEA branches in France, Italy and Spain have been transferred to newly established branches of CGME in the respective EEA locations to support provision of investment services and products. CGML branches in France, Spain and Ireland have been closed. CGML Italy branch is in the final stages of closure with the local authorities. The valuation and transaction terms for the transfer of branch activities were formally approved by the CGML Board.

CGME's client base comprises eligible counterparties and professional clients (including clients who may be treated as professionals on request) for the purpose of Directive 2014/65/EU on markets in financial instruments. These typically include financial institutions, institutional and other investors, corporates, government and public sector entities and retail intermediaries.

Solving for Brexit to ensure continuity of EEA client facing activities from CGME and CEP was a priority for Citi in 2020. However, expectations from our European regulators (ECB, CBI and BaFin) require Citi to extend and enhance existing trading and risk management capabilities in CGME and CEP for material products on these entities in relation to EEA clients ("Day 2 operating model").

While Citi's Day 2 operating model is expected to have an impact on CGML, CGML will continue to be a full service Investment Firm and one of Citi's global market risk hubs in the target state. Further, CGML will continue to focus on ensuring sustained future viability of CGME as a part of post-Brexit restructuring. Management will continue strategic reviews at a legal entity and regional level, with decisions being appropriately presented for notification and approval to Boards and regulators, as necessary.

CGML continues to support its clients through successful execution of its Brexit contingency plans. However, there are certain challenges which remain for the industry as a whole, including but not limited to, the uncertainty surrounding how the UK-EU treatment of financial services is likely to evolve.

As Luxembourg has confirmed it will allow cross-border licence to UK firms, Brexit had no direct impact on the relationship the Company has with CGML, its sole counterparty.

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. It includes reputation risks associated with Citigroup's business practices or market conduct. It also includes the risk of failing to comply with applicable laws, regulations, ethical standards or Citigroup policies. Operational Risk does not encompass strategic risk or the risk of loss resulting solely from authorised judgments made with respect to taking credit, market, liquidity, or insurance risk.

17. Financial instruments and risk management (continued)

(g) Operational risk

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

Citigroup maintains an Operational Risk Management (ORM) framework with a Governance Structure to ensure effective management of Operational Risk across Citigroup. The Governance Structure presents the Three Lines of Defence:

- first line of defence: the business owns all of its risks and is responsible for the management of those risks;
- second line of defence: the Company's control functions (e.g., risk, finance, compliance, etc.) establish standards for the management of risks and effectiveness of controls; and
- third line of defence: Citi's internal audit function independently provides assurance, based on a risk-based audit plan, that processes are reliable and governance and controls are effective.

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) programme which helps managers to self-assess key operational risks and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks. CGMFL is in the scope of CGML Equities business line's MCA.

The ORM Framework establishes a foundation on which the activities of Businesses, Regions and Functions, the resulting operational risks and the associated controls are identified, periodically assessed, subject to corrective action, appropriately documented and communicated. Specifica1ly, the ORM Framework establishes minimum standards for consistent identification, measurement, monitoring, reporting, and management of operational risk across Citigroup.

The process established by the ORM Framework is expected to lead to effective anticipation and mitigation of operational risk and improved operational risk loss experience and includes the following steps:

- identify and assess Key Operational Risks (KORs);
- design controls to mitigate identified risks;
- establish Key Risk Indicators (KRls);
- implement a process for early problem recognition and timely escalation;
- produce comprehensive operational risk reporting; and
- ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

As new products and business activities are developed, processes are designed, modified or sourced through alternative means and operational risks are considered.

In addition, Operational Risk Management 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 at a Citigroup and Company level.

To enhance its operational risk management, CGML has implemented a forward looking scenario analysis programme to identify and quantify emerging operational risks, through a systematic process of obtaining opinions from business managers and risk management experts to devise reasoned assessments of the likelihood and loss impact of plausible, high severity operational risk losses. This development has been integrated into the operational risk capital assessment for CGML.

17. Financial instruments and risk management (continued)

"KORs" are derived from an evaluation of operational risk exposure on a residual risk basis considering its current business strategy. The identified KORs for CGML include those listed out below:
- Anti·Money Laundering (AML) and Sanctions Non·Compliance Risk
- Conduct Risk
- Cyber Risk
- Geopolitical Risk
- Internal Fraud (Unauthorised Trading Risk)
- System Run Away Risk (Low Touch Activity Trading Risk)
- Inaccurate Reporting and Data Management
- Model Risk Management
- Third Party Vendor Management including Affiliates

The Company itself effectively does not face significant exposure to operational risk due to its relationship with CGML.

In 2020, as the result of the Covid-19 pandemic and associated lockdowns from March onward, employee occupation of offices was heavily reduced. Citigroup told all employees to work from home where possible and invested in upgrading video conferencing and online meeting tools in order to facilitate this transition.

With a phased return to office scheduled for 2021, Citigroup's and the Company's video conferencing and remote-working tools will stay in place, ensuring employees don't travel for work unless necessary until government guidelines allow and satisfy Citi's own safety and Covid-19 policies.

(h) Libor Transition Risk and Citi/CGML's risk management

LIBOR is currently used as the interest rate benchmark to price or value a wide range of financial products. Citigroup, and by extension the Company, recognizes that a transition away from and discontinuance of LIBOR presents various risks and challenges that could significantly impact financial markets and market participants, including Citigroup. Accordingly, Citigroup has continued its efforts to identify and manage its LIBOR transition risks. Citigroup is also closely monitoring legislative, regulatory and other developments related to LIBOR transition matters and relief.

Citigroup, and by extension the Company, has established a LIBOR governance and implementation program focused on identifying and addressing the LIBOR transition impacts to Citigroup's clients, operational capabilities and legal and financial contracts, among others. The program operates globally across Citigroup's businesses and functions. Citigroup also continued to engage with regulators, financial accounting bodies and others on LIBOR transition matters.

Moreover, Citigroup has continued to identify its LIBOR transition exposures, including financial instruments that do not contain contract provisions that adequately contemplate the discontinuance of reference rates and that would require additional negotiation with counterparties. Citigroup's LIBOR transition efforts include, among other things, using alternative reference rates in certain newly issued financial instruments and products. Further, Citigroup has also been investing in its systems and infrastructure, as client activity moves away from LIBOR to alternative reference rates.

In September 2019, the IASB issued the Phase 1 of its response to IBOR Reform, which were amendments to IAS 39 and IFRS 9 addressing hedge accounting matters arising prior to the transition to new reference rate reform. Because the Company does not apply hedge accounting referencing LIBOR in its standalone financial statements, these amendments did not impact the Company. The Interest Rate Benchmark Reform is discussed in more details in Note 17 (h) "Financial instruments and risk management".

On 27 August 2020, the IASB issued the Phase 2 amendments which address transition and post-replacement issues, including issues broader than hedge accounting such as modifications of financial assets and liabilities. These amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The Company has not early adopted these amendments in 2020 and is currently assessing the impact on its financial statements. The management identified no significant risk related to the IBOR transition at the time of publishing the financial statements due to its offsetting business structure with its Parent. The IBOR reform will not result in any significant changes to the measurement basis of the financial instruments of the Company because the majority of assets are held at fair value through profit or loss.

17. Financial instruments and risk management (continued)

(i) Impact of anti-tax avoidance directive on Luxembourg issuers

Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market dated 12 July 2016 was transposed into Luxembourg domestic law by the law of 21 December 2018 (ATAD I) and entered into force on 1 January 2019. ATAD I has been amended by Council Directive (EU) 2017/952 of 29 May 2017, which still has to be implemented under Luxembourg Law (ATAD II, and together with ATAD I, ATAD).

ATAD I introduces, amongst other things, a new framework that may limit the deduction of interest and other deductible payments for Luxembourg companies subject to corporate income tax (such as the Issuer). Whilst (i) ATAD II is yet to be implemented in Luxembourg and administrative guidance from the Luxembourg authorities with respect to ATAD I remains pending, the impact of ATAD on the Issuer is not yet clear. In particular, the interest limitation rules under ATAD I may result in corporate income tax being effectively imposed on and payable by the Issuer to the extent that the Issuer derives income other than interest income or income equivalent to interest from its underlying assets and transactions.

In October 2019, it has been confirmed by the local tax administrations that the Company was out-of-scope of the interest limitation rules under ATAD I.

18. Capital Management

Other than the minimum capital requirements of the Commercial Law in Luxembourg, the Company is not subject to any externally imposed capital requirements. It is dependent on CGML to provide necessary capital resources which are therefore managed on a group basis.

The Company defines capital as total shareholder equity. It is the Company's objective to reduce its risk exposure with regards to market, liquidity and credit risk to a minimum by entering into offsetting transactions with CGML to maintain a sufficient capital base to support the development of its business and to meet statutory capital requirements at all times. There were no changes to the Company's approach to capital management during the year.

During 2020, CGML remained in compliance with all externally imposed capital requirements.

The capital management of CGML is further explained in its Basel Pillar III disclosures document.

19. Contingent liabilities and financial commitments

(a) Financial commitments

At the trade date of a structured note to an investor, the Company is committed to issue a structured note to the investor (provided the investor pays for that note). The notes will be recognised on the balance sheet at the issuance date when the cash is received from the investor.

As at 31 December 2020, there was a total of USD 19 million of notes that had traded with issuance date in January 2021. These financial instruments are warrants issued in relation to the Citi Warrant Programme and unsettled structured notes and unsettled index linked certificates traded but not yet settled at the period end. The above listed financial instruments are recognized in derivatives. For additional information on the above split, please refer to Note 10.

The Company will also be obligated pass on to CGML the cash received from the investor at the issuance date. This commitment is contingent upon cash being received from the investor from the note issuance, meaning if the investor does not pay then the Company has no obligation to give cash to CGML.

(b) Contingent liabilities

The Company has issued a Deed of Counter-Indemnity to CGML whereby it shall indemnify and hold CGML harmless against any losses, claims, damages or liabilities relating to or arising out of the guarantee ("Deed of Guarantee") issued by CGML against the Company's obligation under notes, certificates, warrants and other instruments issued by the Company pursuant to certain issuance programmes as specified in the guarantee agreement.

19. Contingent liabilities and financial commitments (continued)

Under the Deed of Guarantee CGML guarantees that if, for any reason, the Company does not either pay or deliver any sum payable by the Company to note holders which also includes any premium or any other amounts of whatever nature or additional amounts which may become payable under the notes, certificates and warrants issued by the Company, then CGML will be obliged to pay.

As at 31 December 2020 there are no losses, claims, damages or liabilities relating to or arising out of the said guarantee (2019: none).

20. Segmental reporting

The Company's activity is the issuance of listed or unlisted structured products in the form of structured notes, index liked certificates and derivatives to grant loans or other forms of funding directly or indirectly in whatever form or means to any entities belonging to Citigroup Inc..

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM") and for which discrete information is available. The Management approach is used to determine the reportable operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board Citigroup Global Markets Funding Luxembourg GP S.à r.l. ("the Manager").

The CODM monitors the issuance activity based on a breakdown of information about the regional distribution of the products issued by the Company to institutional and retail investors. The products issued by the Company are distributed to investors classified in four regions:

- Europe, Middle-East and Africa ("EMEA")
- Asia Pacific, excluding Japan ("APAC")
- Japan ("JP")
- Latin America ("LATAM")

For each region the CODM is provided with key performance indicators ("KPIs") reporting the total number of instruments issued and the total net proceed amount issued during the year.

At the end of the period a regional breakdown is presented of the number of financial instruments issued, the market value of the financial instruments issued at the end of the period as well as the gains and losses related to the issuance of these financial instruments during the year.

For the year ended 31 December 2020 ($ 000)

	APAC	EMEA	JP	LATAM	Grand Total
Number of instruments issued	9,733	2,495	701	2,159	15,088
Net proceed of the instruments issued	12,868,997	6,019,616	1,118,648	3,442,873	23,450,134
Market value of the instruments outstanding at year-end[3]	6,821,804	8,408,275	1,107,553	2,104,234	18,441,866
Gains/(Losses) related to the instruments issued[4]	(180,806)	300,501	(60,199)	(298,389)	(238,893)
Gains/(Losses) related to the instruments purchased[4]	180,806	(300,501)	60,199	298,389	238,893

For the year ended 31 December 2019 ($ 000)

	APAC	EMEA	JP	LATAM	Grand Total
Number of instruments issued	2,660	1,653	435	1,156	5,904
Net proceed of the instruments issued	4,519,685	4,259,043	376,565	1,838,186	10,993,479
Market value of the instruments outstanding at year-end[3]	3,569,619	6,754,796	763,572	1,659,169	12,747,156
Gains/(Losses) related to the instruments issued[4]	218,028	(406,619)	(34,176)	(161,324)	(384,091)
Gains/(Losses) related to the instruments purchased[4]	(218,028)	406,619	34,176	161,324	384,091

[3] The instrument outstanding at the end of the year are composed of structured note, index linked certificates and derivatives
[4] Refer to Note 5

21. Subsequent events

Subsequent to the year-end and until 15 April 2021, the Company has issued 5,471 structured notes (in the form of new products or new tranches) for a net proceed amount of USD 10,218,493,120 and 2,113 securities (in the form of new products or new tranches), of which 861 are presented in the financial statements as index linked certificate for a net proceed amount of USD 767,611,091 and 1,252 warrants presented in the financial statements as derivatives for a net proceed amount of USD 1,561,063,530. The Company issued 14 preference shares in USD and in GBP for a net proceed equivalent amount of USD 1,832.

Subsequent to the year-end, 1,144 structured notes matured for a proceed amount of USD 2,633,921,619 and 547 index linked certificates matured for a net proceed amount of USD 241,802,626 as well as 343 warrants matured for a net proceed amount of USD 1,095,985,382.

The Company fully redeemed 2,649 structured notes for a net proceed amount of USD 3,679,092,907 and 153 index linked certificates for a net proceed amount of USD 115,730,834 as well as 562 warrants presented as derivatives for a net proceed amount of USD 431,266,304.

A key theme for 2021 will continue to be the global spread of Covid-19, which has resulted in governments taking varied actions towards stemming its spread and bolstering economies. The Impact of Covid-19 is expected to continue for the coming months, with a more positive outlook hinging on the timely rollout of vaccines and the success in limiting the spread of new variants. The road to recovery from Covid-19 will be uneven across countries depending on their exposure to the virus and their ability to ease restrictions. In considering going concern, the Company, its Parent and Citigroup Inc. globally are closely monitoring the spread of Covid-19, the actions and reactions of Governments and the potential effects it will have on its business.

To assess any potential impact on the Company, the Board reassessed the components of capital, liquidity and the financial position of the Company and has concluded that the going concern basis is still appropriate and that no event took place after closing of the reporting period, which would materially impact the financial position of the Company as of 31 December 2020 or require disclosure.