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 2018

(with the Report of the Réviseur d'Entreprises agréé thereon)

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

Management Report and Responsibility Statement for the year ended 31 December 2018

The Management presents its Report and the Financial Statements for the year ended 31 December 2018.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

Citigroup Global Markets Funding Luxembourg S.C.A. ("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 ("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. ("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. During 2018, 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 2018, 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 reported a net profit of USD 35,840.36 (2017: net profit of USD 207,901 / EUR 141,114);
- During the financial year the Company issued 2,677 structured notes under the Global Medium Term Note Programme for a net proceed amount of USD 5,779,136,893 and 1,732 warrants under the Citi Warrant Programme, of which 628 are presented in the financial statements as index linked certificates for a net proceed amount of USD 532,771,694 and 1,104 are presented in the financial statements as derivatives for a net proceed amount of USD 1,198,217,682;
- The Company issued 43 preference shares in USD and in GBP for a net proceed equivalent amount of USD 5,488;
- 304 structured notes matured for a proceed amount of USD 482,891,203 (USD 363,183,566 in cash payments and USD 119,707,637 through physical settlements) and 355 index linked certificates matured for a net proceed amount of USD 224,634,043 (USD 91,763,162 in cash payments and USD 132,870,881 through physical settlements) as well as 498 warrants matured for a net proceed amount of USD 354,809,524 (USD 134,942,188 in cash payments and USD 219,867,336 through physical settlements);

- The Company early redeemed 589 structured notes with a proceed amount of USD 1,235,671,663 and 105 index linked certificates for a net proceed amount of USD 91,280,897 as well as 567 warrants for a proceed amount of USD 684,197,412;
- The Company fully or partially retired 234 structured notes with a net proceed amount of USD 344,779,204 as well as 26 warrants with a net proceed amount of USD 54,987,327.
- 27 instruments were listed on the Main Securities Market (MSM) and 269 on the Global Exchange Market (GEM) of the Irish Stock Exchange, 25 on the Nasdaq Stockholm AB and 24 on the Frankfurt Freiverkehr.
- There were no credit events that affected the Company.

Following an assessment done on the business of the Company, on 9 November 2018 the Board of managers resolved to change the functional and presentation currency of the Company from Euro to US dollar.

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 16 of the Financial Statements as at 31 December 2018.

(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 Directors.

(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 hedged 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 (see Note 8, Note 9 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 16 of the Financial Statements as at 31 December 2018.

(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 hedge 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).

Uncertainties arising as a result of the vote in the U.K. to withdraw from the EU could negatively impact Citigroup's businesses, results of operations or financial condition.

As a result of a 2016 UK referendum, Citi established a formal program with senior level sponsorship and governance to deliver a coordinated response to the UK's potential exit from the EU. Citi continues to plan for a "hard" exit scenario until negotiations have concluded and the form of the UK's withdrawal from the EU is finalised. Citi's Brexit strategy focuses on changing its business model in order to ensure continuity of services to its UK, EU and non-EU clients with minimal disruption. Citi's planning takes into consideration areas such as client outreach and facilitation, the Company's access to financial markets infrastructure, contractual continuity, staffing, taxation and outsourcing arrangements.

To support implementation of Citi's plans, Citi has reorganized certain UK and EU operations and has been migrating certain business activities to alternative legal entities and branches with appropriate regulatory permissions and establishing required capabilities regardless of the Brexit outcome.
One aspect of Citi's contingency plans has been to convert its existing banking entity in Germany, Citigroup Global Markets Europe AG ("CGME", previously Citigroup Global Markets Deutschland AG), into Citi's EU Investment firm to support broker-dealer activities with EU clients. CGME's ownership has changed to a wholly owned subsidiary of CGML, consolidating into CGML. In addition, the activities and staff in existing branches of CGML in key EU jurisdictions have been transferred to newly established CGME branches in these jurisdictions.
Under the current assumptions where activities with our impacted EU clients migrate from CGML to CGME, while the associated revenues will also transfer to CGME, currently no material impact is expected on the Company's profitability, trading assets and liabilities, capital, liquidity and funding.

Additionally, staff transfers from CGML to CGME and its branches are expected to be minimal other than in the above mentioned branch transfers.

While assumptions have been made around client behaviour and changes in regulatory environment, it does not take into consideration potential long term macroeconomic conditions that may impact the Company.

Citi continues to work closely with clients, regulators and other relevant stakeholders in execution of its plans to prepare for the UK's potential exit from the EU. In addition, Citi continues to monitor short term macroeconomic scenarios and market events and has been undertaking stress testing to assess potential impacts on its businesses.
Whilst the Company is operationally ready to support its clients, having executed its Brexit contingency plans, there are certain challenges which remain for the industry as whole including but not limited to the preparedness and speed of client response and financial markets infrastructure.

(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.

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.

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 (KRIs);
- 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.

In relation to the above-mentioned risks we also refer to Note 16 of the Financial Statements as at 31 December 2018.

(vi) 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.

4. RESULTS AND DIVIDENDS FOR THE YEAR ENDED 31 DECEMBER 2018

The results for the year are set out in the Statement of profit or loss and other comprehensive income of the Financial Statements. The Board of Managers recommends to allocate USD 33,840 to the result carried forward and USD 2,000 to the legal reserve. The Board of Managers recommends not to distribute a dividend for the year under review.

5. MANAGERS AND THEIR INTERESTS

The Managers who held office on 31 December 2018 did not hold any shares in the Company at that date, or during the year. 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 year.

6. CORPORATE GOVERNANCE STATEMENT

The Company is subject to and complies with the Commercial Law and the Listing Rules of the Luxembourg Stock Exchange and the Listing Rules of the Global Exchange Market (GEM) of Irish Stock Exchange, of the Nasdaq Stockholm AB Stock Exchange, of the Frankfurt Freiverkehr and of the Italian Sedex Market. 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 their own corporate governance requirements; in particular, the Company's parent, CGML, has in one place 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 of Managers (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 achieve 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 of Managers may delegate certain functions to other parties subject to the supervision and direction by the Board of Managers.

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

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

Risk Assessment
The Board of Managers 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 of Managers 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 of Managers 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 of Managers has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board of Managers to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process. The Company's activities are in 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 of Managers 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 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 2018 the Company issued 43 redeemable preference shares. The redeemable preference shares are classified as financial liabilities and presented in the caption "Redeemable preference shares" because they are mandatorily redeemable in cash.

The subscribed share capital of CGMFL is two million and ninety-four Euro (EUR2,000,094) divided into (a) one (1) share with a nominal value of one Euro (EUR1.-) (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 Luxembourg, (the "Unlimited Shareholder") (b) and one million nine hundred ninety-nine thousand nine hundred ninety-nine (1,999,999) shares with a nominal value of one Euro (EUR1.-) 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") for one million nine hundred ninety-nine thousand nine hundred ninety-eight (1,999,998) Limited Shares (the "Limited Shareholders" and together with the Unlimited Shareholder the "Shareholders"), (c) ninety-four(94) limited preference share with a nominal value of one Euro (EUR1.-) each held by CGML.

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 31 December 2018.

Powers of Board of Managers
The Board of Managers 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 Board of Managers.

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

Shareholders' Resolutions
The Shareholders' Meeting shall have such powers as are vested in it pursuant to the Articles of Incorporation of the Company or the Luxembourg Corporate Law. The Shareholders' Meeting shall adopt and ratify measures affecting the interest of the Company vis-à-vis third parties or amending the Articles only with the agreement of the Board of Managers.

7. SUBSEQUENT EVENTS

Subsequent to the year-end, the Company has issued 1,101 structured notes under the Global Medium Term Note Programme for a net proceed amount of USD 2,543,427,645 , and 331 warrants under the Citi Warrant Programmes, of which 199 are presented in the financial statements as index linked certificates for a net proceed amount of USD 338,937,482 and 132 are presented in the financial statements as derivatives for a net proceed amount of USD 132,265,513. The Company issued 32 preference shares in USD, EUR and in GBP for a net proceed equivalent amount of USD 4,078.

Subsequent to the year-end, 199 structured notes matured for a proceed amount of USD 164,044,102 and 199index linked certificates matured for a net proceed amount of USD 109,954,313 as well as 174 warrants matured for a net proceed amount of USD 71,721,810.

The Company fully redeemed 283structured notes with a proceed amount of USD 733,515,988 and 40 index linked certificates for a net proceed amount of USD 40,880,115 as well as 80warrants for a proceed amount of USD 65,137,152.

8. EXPECTED FUTURE DEVELOPMENT

The performance of the Company for 2019 will depend on the size and number of new security issuances that take place during the year. Similarly, the ability of the Company to issue securities to investors in jurisdictions outside the EU will be sought to allow greater potential for issue of the Company's securities.

9. AUDIT COMMITTEE

The Company applies 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. The role of the audit committee is undertaken by the full Board of Managers, which is 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, has delegated effectively 1 February 2018 the following responsibilities to the Board of Managers 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 systems 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 (as soon as it will be applicable).
- Ensure the implementation of rotation rules of independent auditor in accordance with Luxembourg laws.

Bertrange, 29 April 2019

A. Brusi

Alberta Brusi	Vincent Mazzoli	Jonas Bossau
Manager	Manager	Manager

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, 29 April 2019.

A. Brusi

Alberta Brusi	Vincent Mazzoli	Jonas Bossau
Manager	Manager	Manager

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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 2018, 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 2018, 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 those Regulation, Law and standards 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

Emphasis of Matter

We draw attention to Note 16 "Country risk", which describes the uncertainties arising as a result of the vote in the U.K. to withdraw from the EU which could negatively impact Citigroup's businesses, results of operations or financial condition. Our opinion is not modified in respect of this matter.

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 whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 2018*

As at 31 December 2018, Structured notes purchased and issued amount to USD 6,750 million, Index linked certificates purchased and issued amount to USD 744 million, and Derivative assets and liabilities amount to USD 259 million, representing collectively 99.96% of total assets and 99.97% of total liabilities.

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 structured financial instruments issued. As at 31 December 2018, 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(j) "Principal accounting policies – Fair value measurement", Note 3 "Use of assumptions, estimates and judgements", Note 9 "Financial assets and liabilities designated 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 on 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;
  - completeness check over price verification of financial instruments and fair value labelling of positions.

— 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 engaged our own valuation specialists to assist us in performing independent valuation of a sample of financial instruments which were auto called or matured before year end, as well as of a sample of financial instruments outstanding as at 30 September 2018 and 31 December 2018, 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(j) "Principal accounting policies – Fair value measurement".

Other information

The Board of Managers is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the financial statements and our report of "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 Managers determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 "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.

— 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 scepticism 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.

SUI001

— 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 "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 "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 7 years, of which 6 years are since the Company commenced issuing transferable securities admitted to trading on a regulated market of a Member State within the meaning of point 14 of Article 4.1 of Directive 2004/39/EC and became a Public Interest Entity.

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) and d) 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 No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002(4) on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 29 April 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

F. Delante

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CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Interest and similar income		-	-
Interest expense and similar charges		-	-
Net interest expense		-	-
Net fee and commission income	**4**	1,347	1,029
Net income from other financial instruments at fair value through profit or loss	**5**	-	-
Total operating income		1,347	1,029
General and administrative expenses	**6**	(1,297)	(759)
Profit before income tax		50	270
Income tax expense	**7**	(14)	(62)
Income for the year		36	208
Total comprehensive income for the year		**36**	208
Profit attributable to:			
Equity holders of the Company		36	208
Non-controlling interest		-	-
Total comprehensive profit attibutable to:			
Equity holders of the Company		36	208
Non-controlling interest		-	-

*See notes 2(c) and 19

The accompanying notes on pages 5 to 41 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	31 December 2018 $ 000	31 December 2017 restated* $ 000	1 January 2017 restated* $ 000
Assets				
Cash and cash equivalents	**11**	1,694	1,856	719
Structured notes purchased	**9,11**	6,750,065	3,865,956	2,408,467
Index linked certificates purchased	**9,11**	744,423	654,547	85,811
Derivative assets	**10,11**	258,766	302,872	75,459
Current income tax assets		-	30	9
Other assets		800	-	147
Total assets		7,755,748	4,825,261	2,570,612
Liabilities				
Structured notes issued	**9,11**	6,750,065	3,865,956	2,408,467
Index linked certificates issued	**9,11**	744,423	654,547	85,811
Derivative liabilities	**10,11**	258,766	302,872	75,459
Redeemable preference shares	**12,11**	9	7	1
Other liabilities		1,618	1,150	407
Current tax liabilities		37	61	7
Total liabilities		7,754,918	4,824,593	2,570,152
Equity				
Share capital	**12**	627	627	627
Reserves**	**12**	61	-	-
Foreign currency translation reserve	**12**	41	(85)	(85)
Retained earnings	**12**	101	126	(82)
Total equity		830	668	460
Total liabilities and equity		7,755,748	4,825,261	2,570,612

*See notes 2(c) and 19
** 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 41 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 2018

	Note	Share Capital	Reserves	Foreign currency translation reserve	Retained Earnings	Total Equity
		$ 000	$ 000	$ 000	$ 000	$ 000
Balance as at 1 January 2017		627	-	-	(82)	545
Impact of change in presentation currency	2 (c), 19	-	-	(85)	-	(85)
Restated* balance as at 1 January 2017		627	-	(85)	(82)	460
Total comprehensive income for the year (Restated)		-	-	-	208	208
Impact of change in presentation currency	2 (c), 19	-	-	-	-	-
Restated* balance as at 31 December 2017		627	-	(85)	126	668
Total comprehensive income for the year		-	-	-	36	36
Impact of change in presentation currency	2 (c), 19	-	-	126	-	126
Allocation to reserves		-	61		(61)	-
Balance as at 31 December 2018		627	61	41	101	830

*See notes 2(c) and 19
There are no non-controlling interests existing as at 31 December 2018 (2017: none).
The accompanying notes on pages 5 to 41 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.

CASH FLOW STATEMENT
for the year ended 31 December 2018

	Notes	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Cash flow from operating activities			
Profit before tax		50	270
Net (increase)/decrease in operating assets:			
Change in current income tax assets		30	(21)
Change in other assets		(800)	147
Net increase/(decrease) in operating liabilities:			
Change in accruals and other liabilities		468	743
Change in current tax liabilities		(24)	54
Income tax paid	**7**	(14)	(62)
Net cash flow from operating activities		(290)	1,131
Cash flow from investing activities			
Payments in relation to financial instruments purchased		(7,510,126)	(5,154,488)
Interest received on financial instruments purchased		204,733	121,199
Proceeds from maturity of financial instruments		589,889	606,769
Proceeds from redemption of financial instruments		2,410,917	2,106,518
Net cash flow from investing activities		(4,304,587)	(2,320,002)
Cash flow from financing activities			
Proceeds from redeemable preference shares	**12**	5	5
Proceeds from issuance of financial instruments		7,510,126	5,154,488
Interest paid on financial instruments issued		(204,733)	(121,199)
Payments in relation to financial instruments matured		(589,889)	(606,769)
Payments in relation to financial instruments redeemed		(2,410,917)	(2,106,518)
Net cash flow from financing activities		4,304,592	2,320,007
Net increase/(decrease) in cash and cash equivalents		(285)	1,136
Cash and cash equivalents, beginning of the year		1,855	719
Foreign Exchange		124	1
Cash and cash equivalents, end of the year		1,694	1,856

*See notes 2(c) and 19

The accompanying notes on pages 5 to 41 form an integral part of this financial statement.

1. General

Citigroup Global Markets Funding Luxembourg S.C.A. ("the Company") 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, the 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. ("the Manager"). The Board of Managers 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. 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 articles 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, "the Group", or "Citigroup").

The Company is included in the consolidated financial statements of Citigroup Inc. forming 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.

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 ("CGML" or "the Parent") 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 21 June 2017, S&P Global Ratings assigned its 'A+/A-1' issuer credit ratings to Citigroup Global Markets Funding Luxembourg S.C.A.. The outlook is stable, reflecting that of other core operating subsidiaries of Citigroup.
Fitch Ratings affirm 'A' credit rating to CGMFL on 21 June 2018. The outcome is stable, reflecting that of other core operating subsidiaries of Citigroup.

1. General (continued)

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 2,677 structured notes under the Global Medium Term Note Programme for a net proceed amount of USD 5,779,136,893 and 1,732 warrants under the Citi Warrant Programme, of which 628 are presented in the financial statements as index linked certificates for a net proceed amount of USD 532,771,694 and 1,104 are presented in the financial statements as derivatives for a net proceed amount of USD 1,198,217,682. The Company issued 43 preference shares in USD and in GBP for a net proceed equivalent amount of USD 5,488

During the financial year, 304 structured notes matured for a proceed amount of USD 482,891,203 (USD 363,183,566 in cash payments and USD 119,707,637 through physical settlements) and 355 index linked certificates matured for a net proceed amount of USD 224,634,043 (USD 91,763,162 in cash payments and USD 132,870,881 through physical settlements) as well as 498 warrants matured for a net proceed amount of USD 354,809,524 (USD 134,942,188 in cash payments and USD 219,867,336 through physical settlements).

The Company early redeemed 589 structured notes with a proceed amount of USD 1,235,671,663 and 105 index linked certificates for a net proceed amount of USD 91,280,897 as well as 567 warrants for a proceed amount of USD 684,197,412.
The Company fully or partially retired 234 structured notes with a net proceed amount of USD 344,779,204 as well as 26 warrants with a net proceed amount of USD 54,987,327.

During the financial year, 27 instruments were listed on the Main Securities Market (MSM) and 269 on the Global Exchange Market (GEM) of the Irish Stock Exchange, 25 on the Nasdaq Stockholm AB and 24 on the Frankfurt Freiverkehr.

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).

On 9 November 2018, the Company changed its functional and reporting currency from Euro to US dollar. Further information about the change in functional currency is contained in Note 2(c) and 19 ‘Principal accounting policies’.

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.

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 29 April 2019.

2. Principal accounting policies (continued)

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

New currently effective standards and amendments to the standards

The following new amended standards effective from 1 January 2018 were assessed as not applicable or not significant in relation to the Company's financial statement:

- "Transfers of Investment Property" (Amendments to IAS 40);
- "Classification and Measurement of Share-based Payment Transactions" (Amendments to IFRS 2);
- "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (Amendments to IFRS 4);
- Classification to IFRS 15 "Revenue from Contracts with Customers"
- Annual Improvements to IFRSs 2014-2016 Cycle;
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

Future accounting developments

The following are standards and amendments issued by the International Accounting Standards Board (IASB) and endorsed by the EU but effective after 31 December 2018:

- IFRS 9 Prepayment Features with negative compensation;
- IFRIC Interpretation 23 -Uncertainty over Income tax treatment

The Company is currently assessing the impact of them.

Other standards and amendments

The IASB has published the following other new or amended standards that are assessed to have no significant impact on the Company's financial statements in the period of initial application:

- IFRS 16 "Leases"
- IAS 19 Plan amendment, curtailment, or settlement;
- IAS 29 Long-term interests in Associates and Joint Ventures.

Changes implemented in 2018

The accounting policies adopted are consistent with those of the previous financial year, except that the requirements of IFRS 9 and IFRS 15 were implemented as at 1 January 2018. The Company's accounting policies under IFRS 9 and IFRS 15 are set out below.

IFRS 9 – Financial Instruments

Transition

The transition to IFRS 9 has not resulted in any significant changes to the measurement basis of the financial instruments of the Company because the majority of assets are already held at fair value through profit or loss. These continue to be accounted for as such under IFRS 9. The financial assets held at amortised cost (solely cash and cash equivalents) continue to be measured at amortised cost. Following the above there was no requirement to restate comparative periods for IFRS 9 application for the financial year.

Due to the fact that, from 1 January 2018, gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL would require recognition through OCI, any cumulative amounts that were recorded in the income statement for liabilities outstanding as at 1 January 2018 would have been reclassified, if any, to accumulated OCI from retained earnings.

Impairment

IFRS 9 introduces an expected credit loss (ECL) impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in the earlier recognition of credit losses going forward.

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

2. Principal accounting policies (continued)

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

Because of the nature of business activities and the classification of financial assets in the Company's statement of financial positions which are mainly measured at FVTPL, the application of the requirement of IFRS 9 in terms of impairment is limited to cash and cash equivalents, which is the sole financial instrument measured at amortised cost.

Considering the balances considered, short maturity and quality of the debtors, the incremental expected credit loss amount was determined as neglectable.

IFRS 15 – Revenue from Contracts with Customers

The core principle of the new Standard is to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The revenue is recognised when the control over the goods or services is transferred to the customer. IFRS 15 has been effective for annual reporting periods beginning on or after 1 January 2018.
The transition to IFRS 15 has not resulted in any significant changes to the recognition method for revenue applied by the Company. Revenue for the company is linked to the financial assets which are majorly financial instruments within the scope of IFRS 9 and thus exempt from IFRS 15. For all other financial assets the company will continue to record revenue when the performance obligation is fulfilled.

(c) Foreign currencies

On November 9 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 of Managers that the functional currency of the Company as of 1st of January 2018 is USD.

In its assessment of the functional currency, the Board of Managers 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 in 2017 and in 2018 has been done in various currencies, the majority has been issued in USD. As the Board of Managers 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.

This change in functional currency at the beginning of the period has been considered to lead to a change in presentational currency in accordance with IAS 1.

At the statement of financial position date monetary assets and liabilities are translated at the year-end rates of exchange and translation differences are included in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are "designated at fair value" are translated at the year-end rate of exchange. Any exchange profits and losses on non-monetary items are taken directly to the statement of profit or loss and other comprehensive income.

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. Please also refer to Note 19.

2. Principal accounting policies (continued)

(d) Net interest

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.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income (see Note 2 (f)).

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss are presented in net income from other financial instruments at fair value through profit or loss in the statement of profit or loss and other comprehensive income (see Note 2 (g)).

(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 trading income

All gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, including derivatives, together with related interest income, expense and dividends are recognised within Net trading income. Net trading income relates to derivative assets and liabilities, and includes all realised and unrealised fair value changes, together with related interest, dividends and foreign exchange differences.

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

Net income from other financial instruments at fair value through profit or loss relates to financial assets and financial liabilities designated 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.

(h) 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.

2. Principal accounting policies (continued)

(h) Derivatives (continued)

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.

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

(i) Financial assets and liabilities

Financial instruments 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 cashflow 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 trade 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 other financial instruments at fair value through profit or loss.

Financial liabilities

Financial liabilities are initially measured at fair value net of transactions costs at trade date. Subsequently, they are measured at amortised cost using the effective interest rate method, except for derivative financial liabilities and any financial liabilities designated on initial recognition as at fair value through profit or loss.

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.

2. Principal accounting policies (continued)

(j) 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 (see 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 hedged 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 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.

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 hedged 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 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.

[1] Index linked certificates were issued under the Citi Warrant Programme.

2. Principal accounting policies (continued)

(j) Fair value measurement (continued)

Derivatives assets/liabilities

Derivative assets from CGML are offsetting transactions to the Company's derivative liabilities (see 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.

(k) Impairment of financial assets

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and advances and for assets held to maturity the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows considering collateral, discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the statement of profit or loss and other comprehensive income.

When a loan is un-collectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

2. Principal accounting policies (continued)

(l) Derecognition 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 liabilities are derecognised when they are extinguished, that is when the obligation is substantially modified, exchanged, discharged, cancelled or expired.

(m) 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted. Current and deferred tax are recognized as income tax benefits or expense in the statement of profit and loss and other comprehensive income.

(n) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation. This includes where the Company has undrawn loan commitments and a provision is made for expected losses.

(o) 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.

(p) 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. They do not bear dividend.

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 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, management may be required to make estimates. Note 10 further discuss the valuation of financial instruments.

4. Net fee and commission income

	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Fee and commission income	1,347	1,029
Net fee and commission income	**1,347**	**1,029**

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.

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

	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Gains from financial instruments mandatory measured at fair value through profit or loss	782,045	312,031
Structured notes purchased	643,037	283,306
Index linked certificates purchased	92,242	- 9,553
Derivatives purchased	46,766	38,278
Losses from financial instruments mandatory measured at fair value through profit or loss	- 46,766	- 38,278
Derivatives issued	- 46,766	- 38,278
Losses from financial instruments designated at fair value through profit or loss	- 735,279	- 273,753
Structured notes issued	- 643,037	- 283,306
Index linked certificates issued	- 92,242	9,553
Losses from other financial instruments measured at fair value through profit or loss	**-**	**-**

The gains from financial instruments mandatory measured at fair value through profit or loss are with related parties. We have not again presented the information under Note 13 Related parties to avoid its duplication.
*See notes 2(c) and 19

6. General and administrative expenses

	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Administrative expenses	1,297	759
	1,297	759

General and administrative expenses are mainly amounts charged by Citibank Europe plc, Luxembourg Branch for administrative services provided to the Company and audit fees.

The Managers made no charge for their services. No emoluments were received or are receivable by any of the Managers in respect of their services to the Company during the period. The details regarding Managers who are also Managers 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 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Fees paid for the audit of the financial statements	432	457
Fees paid for other audit related services	-	-
	432	457

As at 31 December 2018, USD 507 thousand (including VAT) has been accrued by the Company in regards to the audit fees 2018.

7. Income tax expense

(a) Analysis of tax charge in the year

The Luxembourg corporation tax rate applying to the Company was 28.27% for year ended 31 December 2018 (2017: 26.76%), in line with Luxembourg tax regulations.

	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Profit before tax	50	270
Current tax:		
Corporation tax on profit for the year	14	62
Tax charge for the year	14	62

*See notes 2(c) and 19

7. Income tax expense (continued)

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

	For the year ended 31 December 2018 $ 000	For the year ended 31 December 2017 restated* $ 000
Profit before tax	50	270
Standard rate of corporation tax in Luxembourg of 28.27%/26.76%	14	62
Tax charge for the year	14	62

As at 31 December 2018, the Company had made tax advance payments to the tax authorities amounting to $11.7 thousand (2017: $10.8 thousand).

No deferred tax assets and liabilities have been recognized as at 31 December 2018 (2017: $ nil).

8. Statement of cash flows: changes arising from financing activities

		Cash Flows					Non-cash changes	
	For the year ended 31 December 2017	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 of financial instruments	Fair value changes *incl Foreign Exchange*	**For the year ended 31 December 2018**
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Structured Notes	3,865,956	(161,276)		5,779,137	(363,184)	(1,580,451)	(790,117)	6,750,065
Derivatives	302,872	(43,457)		1,198,217	(134,942)	(687,739)	(376,185)	258,766
Index linked certificates	654,547	-		532,772	(91,763)	(142,727)	(208,406)	744,423
Redeemable preference shares	7	-	5	-	-	-	(3)	9
	4,823,382	(204,733)	5	7,510,126	(589,889)	(2,410,917)	(1,374,711)	7,753,263

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		Cash Flows					Non-cash changes	
	For the year ended 31 December 2016 restated*	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 of financial instruments	Fair value changes *incl Foreign Exchange*	**For the year ended 31 December 2017 restated***
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Structured Notes	2,408,467	(90,415)		2,888,015	(368,340)	(965,183)	(6,588)	3,865,956
Derivatives	75,459	(30,784)		1,305,809	(89,429)	(951,263)	(6,920)	302,872
Index linked certificates	85,811	-		960,664	(149,000)	(190,072)	(52,856)	654,547
Redeemable preference shares	1	-	5	-	-	-	1	7
	2,569,738	(121,199)	5	5,154,488	(606,769)	(2,106,518)	(66,363)	4,823,382

*See notes 2(c) and 19

9. Financial assets and liabilities designated 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 derivative 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 and structured notes and index linked purchased 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 and are ones for which it is clear with little or no analysis when considering a similar hybrid instrument that separation is not prohibited.

10. Derivative assets and liabilities

The derivative liabilities are warrants issued in relation to the Citi Warrant Programme. 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:

For the year ended 31 December 2018

	Asset		Liability	
	Notional	**Fair value**	**Notional**	**Fair value**
	$ 000	**$ 000**	**$ 000**	**$ 000**
Derivatives				
Warrants	886,620	258,766	(886,620)	(258,766)
Total derivative contracts	886,620	258,766	(886,620)	(258,766)

For the year ended 31 December 2017 restated*

	Asset		Liability	
	Notional	**Fair value**	**Notional**	**Fair value**
	$ 000	**$ 000**	**$ 000**	**$ 000**
Derivatives				
Warrants	425,061	302,872	(425,061)	(302,872)
Total derivative contracts	425,061	302,872	(425,061)	(302,872)

*See notes 2(c) and 19

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 2018	Mandatory measured at fair value through profit or loss $ 000	Designated at fair value through profit or loss $ 000	Amortised cost $ 000	Total carrying amount $ 000	Fair value $ 000
Assets					
Cash and cash equivalents	-	-	1,694	1,694	1,694
Structured notes purchased	6,750,065	-	-	6,750,065	6,750,065
Index linked certificates purchased	744,423	-	-	744,423	744,423
Derivative assets	258,766	-	-	258,766	258,766
Total financial assets	7,753,254	-	1,694	7,754,948	7,754,948
Current income tax assets	-	-	-	-	-
Other assets	-	-	-	800	800
Total assets	7,753,254	-	1,694	7,755,748	7,755,748
Liabilities					
Structured notes issued	-	(6,750,065)	-	(6,750,065)	(6,750,065)
Index linked certificates issued	-	(744,423)	-	(744,423)	(744,423)
Derivative liabilities	(258,766)	-	-	(258,766)	(258,766)
Redeemable preference shares	-	-	(9)	(9)	(9)
Total financial liabilities	(258,766)	(7,494,488)	(9)	(7,753,263)	(7,753,263)
Other liabilities	-	-	-	(1,618)	(1,618)
Current tax liabilities	-	-	-	(37)	(37)
Total liabilities	(258,766)	(7,494,488)	(9)	(7,754,918)	(7,754,918)

As at 31 December 2017 restated*	Mandatory measured at fair value through profit or loss $ 000	Designated at fair value through profit or loss $ 000	Amortised cost $ 000	Total carrying amount $ 000	Fair value $ 000
Assets					
Cash and cash equivalents	-	-	1,856	1,856	1,856
Structured notes purchased	3,865,956	-	-	3,865,956	3,865,956
Index linked certificates purchased	654,547	-	-	654,547	654,547
Derivative assets	302,872	-	-	302,872	302,872
Total financial assets	4,823,375	-	1,856	4,825,231	4,825,231
Current income tax assets	-	-	-	30	30
Other assets	-	-	-	-	-
Total assets	4,823,375	-	1,856	4,825,261	4,825,261
Liabilities					
Structured notes issued	-	(3,865,956)	-	(3,865,956)	(3,865,956)
Index linked certificates issued	-	(654,547)	-	(654,547)	(654,547)
Derivative liabilities	(302,872)	-	-	(302,872)	(302,872)
Redeemable preference shares	-	-	(7)	(7)	(7)
Total financial liabilities	(302,872)	(4,520,503)	(7)	(4,823,382)	(4,823,382)
Current tax liabilities	-	-	-	(61)	(61)
Other liabilities	-	-	-	(1,150)	(1,150)
Total liabilities	(302,872)	(4,520,503)	(7)	(4,824,593)	(4,824,593)

*See notes 2(c) and 19

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 2019 $ 000	FV of financial instruments matured in 2018 restated* $ 000
Assets		
Structured notes purchased	1,077,706	319,058
Index linked certificates purchased	673,385	191,866
Derivative assets	239,076	193,445
Cash and cash equivalents	1,694	1,856
Total	1,991,861	706,225
Current income tax assets	-	30
Other assets	800	-
Total	1,992,661	706,255

	FV of financial instruments maturing in 2019 $ 000	FV of financial instruments matured in 2018 restated* $ 000
Liabilities		
Structured notes issued	1,077,706	319,058
Index linked certificates issued	673,385	191,866
Derivative liabilities	239,076	193,445
Redeemable preference shares	1	-
Total	1,990,168	704,369
Current tax liabilities	37	61
Other liabilities	1,618	1,150
Total	1,991,823	705,580

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.

*See notes 2(c) and 19

11. Financial assets and liabilities (continued)

- 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.

When available, the Company generally uses quoted market prices in an active market to calculate the fair value of a financial asset or liability and classifies such items as Level 1. Where quoted market price is not available, the Company will make use of alternative pricing techniques based on observable inputs, such as matrix pricing to calculate fair value, in which case the items are classified as Level 2.

If quoted market prices are not available, fair values are based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters such as interest rates, currency rates and option volatilities. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus an item may be classified in Level 3 even though there may be significant inputs that are readily observable. Similarly, an instrument may be classified in Level 2, if the unobservable inputs are not deemed significant to the valuation.

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 and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, 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.

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. For loans not accounted for at fair value, cash flows are discounted at quoted secondary market rates or estimated market rates if available. Otherwise, current market origination rates for loans with similar terms and risk characteristics are used. Expected credit losses are either embedded in the estimated future cash flows or incorporated as an adjustment to the discount rate used. The value of collateral is also considered. 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.

11. Financial assets and liabilities (continued)

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

As at 31 December 2018	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total $ 000
Financial assets				
Structured notes purchased	-	5,077,903	1,672,162	6,750,065
Index linked certificates purchased	-	731,833	12,590	744,423
Derivative assets	-	248,287	10,479	258,766
Total financial assets	-	6,058,023	1,695,231	7,753,254
Financial liabilities				
Structured notes issued	-	5,077,903	1,672,162	6,750,065
Index linked certificates issued	-	731,833	12,590	744,423
Derivative liabilities	-	248,287	10,479	258,766
Total financial liabilities	-	6,058,023	1,695,231	7,753,254

As at 31 December 2017 restated*	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000		Total $ 000
Financial assets					
Structured notes purchased	-	2,555,594	1,310,362	-	3,865,956
Index linked certificates purchased	-	548,156	106,391	-	654,547
Derivative assets	-	183,182	119,690	-	302,872
Total financial assets	-	3,286,932	1,536,443		4,823,375
Financial liabilities					
Structured notes issued	-	2,555,594	1,310,362		3,865,956
Index linked certificates issued	-	548,156	106,391		654,547
Derivative liabilities	-	183,182	119,690		302,872
Total financial liabilities	-	3,286,932	1,536,443		4,823,375

*See notes 2(c) and 19

11. Financial assets and liabilities (continued)

The below table presents the fair value of financial instruments as at 31 December 2018 moved between the fair value hierarchy levels:

2018	At 1 January $ 000	Gain/(loss) recorded in the profit and loss statement: Realised $ 000	Gain/(loss) recorded in the profit and loss statement: Unrealised $ 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	1,310,363	1,732	(192,425)	-	-	939,229	(418,678)	320,212	(288,270)	1,672,162
Index linked certificates purchased	106,392	(23,117)	(80,996)	-	-	92,459	(84,197)	2,547	(497)	12,590
Derivative assets	119,689	(8,407)	(147,162)	-	-	412,535	(359,191)	-	(6,986)	10,479
	1,536,443	(29,792)	(420,583)	-	-	1,444,223	(862,066)	322,759	(295,753)	1,695,231

	At 1 January $ 000	(Gain)/loss recorded in the profit and loss statement: Realised $ 000	(Gain)/loss recorded in the profit and loss statement: Unrealised $ 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	1,310,363	1,732	(192,425)	-	-	939,229	(418,678)	320,212	(288,270)	1,672,162
Index linked certificates issued	106,392	(23,117)	(80,996)	-	-	92,459	(84,197)	2,547	(497)	12,590
Derivative assets	119,689	(8,407)	(147,162)	-	-	412,535	(359,191)	-	(6,986)	10,479
	1,536,443	(29,792)	(420,583)	-	-	1,444,223	(862,066)	322,759	(295,753)	1,695,231

2017 restated*	At 1 January 2017 $ 000	Gain/(loss) recorded in the profit and loss statement: Realised $ 000	Gain/(loss) recorded in the profit and loss statement: Unrealised $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December 2017 $ 000
Financial assets										
Structured notes purchased	908,610	(6,986)	(494,113)	-	-	1,393,650	(346,474)	14,930	(159,254)	1,310,362
Index linked certificates purchased	53,109	(3,659)	(30,474)	-	-	162,057	(67,526)	-	(7,115)	106,391
Derivative assets	46,484	(11,602)	(23,791)	-	-	454,891	(346,495)	201	-	119,690
	1,008,203	(22,247)	(548,378)	-	-	2,010,598	(760,495)	15,131	(166,369)	1,536,443

	At 1 January 2017 $ 000	(Gain)/loss recorded in the profit and loss statement: Realised $ 000	(Gain)/loss recorded in the profit and loss statement: Unrealised $ 000	Purchases $ 000	Sales $ 000	Issuances $ 000	Settlements $ 000	Transfers into Level 3 $ 000	Transfers out of Level 3 $ 000	At 31 December 2017 $ 000
Financial liabilities										
Structured notes issued	908,610	(6,986)	(494,113)	-	-	1,393,650	(346,474)	14,930	(159,254)	1,310,362
Index linked certificates issued	53,109	(3,659)	(30,474)	-	-	162,057	(67,526)	-	(7,115)	106,391
Derivative assets	46,484	(11,602)	(23,791)	-	-	454,891	(346,495)	201	-	119,690
	1,008,203	(22,247)	(548,378)	-	-	2,010,598	(760,495)	15,131	(166,369)	1,536,443

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.

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.

*See notes 2(c) and 19

11. Financial assets and liabilities (continued)

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.

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 2018. Note that these tables represent key drivers by disclosures line.

As at 31 December 2018	Fair Value $ 000	Methodology	Input	Range of Inputs Min	Max	Unit
Financial assets						
Structured notes purchased	6,497	Model-based	Equity Volatility	19.3	34.1	%
Structured notes purchased	322,287	Model-based	Equity-IR Correlation	-40.0	70.4	%
Structured notes purchased	969,950	Model-based	Forward Price	15.3	585.1	%
Structured notes purchased	1,579	Model-based	Inflation Volatility	0.5	2.7	%
Structured notes purchased	538	Model-based	Interest Rate	-0.6	2.8	%
Structured notes purchased	225,327	Model-based	IR Normal Volatility	43.5	86.3	%
Structured notes purchased	27,561	Model-based	Price	0.0	865.9	$
Structured notes purchased	118,422	Price-based	Forward Price	64.7	144.4	%
Index linked certificates purchased	1,269	Model-based	Equity Volatility	27.0	27.0	%
Index linked certificates purchased	2,510	Model-based	Equity-IR Correlation	-40.0	70.4	%
Index linked certificates purchased	8,811	Model-based	Forward Price	64.7	144.4	%
Derivative assets	1,622	Model-based	Equity Volatility	21.0	58.8	%
Derivative assets	8,857	Model-based	Forward Price	15.3	585.1	%
Financial liabilities						
Structured notes issued	6,497	Model-based	Equity Volatility	19.3	34.1	%
Structured notes issued	322,287	Model-based	Equity-IR Correlation	-40.0	70.4	%
Structured notes issued	969,950	Model-based	Forward Price	15.3	585.1	%
Structured notes issued	1,579	Model-based	Inflation Volatility	0.5	2.7	%
Structured notes issued	538	Model-based	Interest Rate	-0.6	2.8	%
Structured notes issued	225,327	Model-based	IR Normal Volatility	43.5	86.3	%
Structured notes issued	27,561	Model-based	Price	0.0	865.9	$
Structured notes issued	118,422	Price-based	Forward Price	64.7	144.4	%
Index linked certificates issued	1,269	Model-based	Equity Volatility	27.0	27.0	%
Index linked certificates issued	2,510	Model-based	Equity-IR Correlation	-40.0	70.4	%
Index linked certificates issued	8,811	Model-based	Forward Price	64.7	144.4	%
Derivative liabilities	1,622	Model-based	Equity Volatility	21.0	58.8	%
Derivative liabilities	8,857	Model-based	Forward Price	15.3	585.1	%

*See notes 2(c) and 19

11. Financial assets and liabilities (continued)

As at 31 December 2017 restated*	Fair Value $ 000	Methodology	Input	Range of Inputs Min	Max	Unit
Financial assets						
Structured notes purchased	306,871	Model-based	Equity Volatility	12.8	37.8	%
Structured notes purchased	791,497	Model-based	Forward Price	0	154.2	%
Structured notes purchased	211,994	Model-based	IR Normal Volatility	9.4	69.2	%
Index linked certificates purchased	74,417	Model-based	Equity Volatility	14.4	50.9	%
Index linked certificates purchased	31,973	Model-based	Forward Price	69.7	154.2	%
Derivative assets	103,287	Model-based	Equity Volatility	16.6	51.4	%
Derivative assets	16,403	Model-based	Forward Price	69.7	154.2	%
Financial liabilities						
Structured notes issued	306,871	Model-based	Equity Volatility	12.8	37.8	%
Structured notes issued	791,497	Model-based	Forward Price	0	154.2	%
Structured notes issued	211,994	Model-based	IR Normal Volatility	9.4	69.2	%
Index linked certificates issued	74,417	Model-based	Equity Volatility	14.4	50.9	%
Index linked certificates issued	31,973	Model-based	Forward Price	69.7	154.2	%
Derivative liabilities	103,287	Model-based	Equity Volatility	16.6	51.4	%
Derivative liabilities	16,403	Model-based	Forward Price	69.7	154.2	%

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.

*See notes 2(c) and 19

11. Financial assets and liabilities (continued)

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.

Sensitivity to unobservable inputs and interrelationships between unobservable inputs (continued)

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.

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.

11. Financial assets and liabilities (continued)

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.

Financial instruments which are not measured at fair value

The table below presents the carrying value and fair value of the Company's financial instruments which are not measured at fair value, and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	$ 000		Estimated fair value $ 000		
As at 31 December 2018	**Carrying value**	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and cash equivalents	1,694	1,694	-	1,694	-
Liabilities					
Redeemable preference shares	9	9	-	9	-

As at 31 December 2017 restated*	$ 000		Estimated fair value $ 000		
	Carrying value	**Estimated fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and cash equivalents	1,856	1,856	-	1,856	-
Liabilities					
Redeemable preference shares	7	7	-	7	-

*See notes 2(c) and 19

12. Share capital and reserves

Share Capital

	Authorised			Allotted, called-up and fully paid
	Number of shares	**Nominal value**	**Amount Restated***	**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**	**Allotted, 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.

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 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 2018 the Company issued 43 redeemable preference shares for a proceed amount of $5,488 (2017: 40 redeemable preference share for a value of $5,038). 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.

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 of Managers recommended to incorporate EUR 50,000 equivalent to USD 60,515 to the legal reserve.

*See notes 2(c) and 19

13. Related parties transactions

The Company defines related parties as the Board of Managers, 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 derivative assets, which are offsetting transactions to the structured notes, index linked certificates and derivatives issued by the Company, as further described in Note 9, 10 and 11. The Company is also remunerated for the services rendered as issuer to CGML (see 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.

	As at 31 December 2018		
	Parent undertaking $ 000	Other affiliated undertakings $ 000	Total $ 000
Assets			
Cash and cash equivalents	-	1,694	1,694
Structured notes purchased	6,750,065	-	6,750,065
Index linked certificates purchased	744,423	-	744,423
Derivative assets	258,766		258,766
Other assets	800	-	800
Statement of comprehensive income			
Net fee and commission income	1,347	-	1,347
General and administrative expenses	(372)	-	(372)
Net trading income	43,457	-	43,457
Net income from other financial instruments at fair value through profit or loss	161,276	-	161,276

	As at 31 December 2017 restated*		
	Parent undertaking $ 000	Other affiliated undertakings $ 000	Total $ 000
Assets			
Cash and cash equivalents	-	1,856	1,856
Structured notes purchased	3,865,956	-	3,865,956
Index linked certificates purchased	654,547	-	654,547
Derivative assets	302,872	-	302,872
Other assets	-	-	-
Statement of comprehensive income			
Net fee and commission income	1,029	-	1,029
General and administrative expenses	(372)	-	(372)
Net trading income	30,783	-	30,783
Net income from other financial instruments at fair value through profit or loss	90,415	-	90,415

Please as well refer to note 5
*See notes 2(c) and 19

13. 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 other 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 (see Note 2(g) above).

14. Managers' remuneration

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

15. Employee involvement

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

16. Financial instruments and risk management

Risk management

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

There are also Regional Chief Risk Officers, accountable for the risks in their geographic area 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.

16. Financial instruments and risk management (continued)

Risk management (continued)

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

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 hedged 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 (see 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: (i) the VaR usage against the overall VaR limit; (ii) the standalone VaR by market risk factor; (iii) the component Value at Risk (CVaR) contribution to total VaR; and (iv) 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.

16. Financial instruments and risk management (continued)

Market risk (continued)

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.

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.

16. Financial instruments and risk management (continued)

Currency exposures

The main operating or functional currency of the Company is US dollar, as described in Note 2 (c) and 19. 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 2018					
$ 000	**EUR**	**GBP**	**PLN**	**RUB**	**Others**	**Total**
USD equivalent	879	20	235	365	(13)	1,486

	As at 31 December 2017 restated*					
$ 000	**EUR**	**GBP**	**PLN**	**RUB**	**Others**	**Total**
USD equivalent	755	18	236	330	26	1,365

Transactional currency exposures occur as a result of normal operations and/or cross-border transactions within Citigroup.

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.

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 Directors.

*See notes 2(c) and 19

16. Financial instruments and risk management (continued)

Liquidity risk (continued)

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 2018	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	1 694	-	-	-	1 694
Structured notes purchased	143 701	934 005	3 817 200	1 855 159	6 750 065
Index linked certificates purchased	87 309	586 076	70 577	461	744 423
Derivative assets	106 704	132 372	19 689	1	258 766
Current income tax assets	-	-	-	-	-
Other assets	-	800	-	-	800
Total assets	339 408	1 653 253	3 907 466	1 855 621	7 755 748
Liabilities					
Structured notes issued	143 701	934 005	3 817 200	1 855 159	6 750 065
Index linked certificates issued	87 309	586 076	70 577	461	744 423
Derivative liabilities	106 704	132 372	19 689	1	258 766
Redeemable preference shares	-	1	4	4	9
Other liabilities	-	1 618	-	-	1 618
Current tax liabilities	-	37	-	-	37
Total liabilities	337 714	1 654 109	3 907 470	1 855 625	7 754 918
Net liquidity surplus / (gap) as at 31 December 2018	1 694	(856)	(4)	(4)	830

*See notes 2(c) and 19

16. Financial instruments and risk management (continued)

Liquidity risk (continued)

As at 31 December 2017 restated*	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	1 856	-	-	-	1 856
Structured notes purchased	57 833	261 225	1 788 655	1 758 243	3 865 956
Index linked certificates purchased	19 077	172 789	462 681	-	654 547
Derivative assets	65 894	127 551	108 165	1 262	302 872
Current tax assets	-	30	-	-	30
Other assets	-	-	-	-	-
Total assets	144 660	561 595	2 359 501	1 759 505	4 825 261
Liabilities					
Structured notes issued	57 833	261 225	1 788 655	1 758 243	3 865 956
Index linked certificates issued	19 077	172 789	462 681	-	654 547
Derivative liabilities	65 894	127 551	108 165	1 262	302 872
Redeemable preference shares	-	-	4	3	7
Other liabilities	-	1 150	-	-	1 150
Current tax liabilities	-	61	-	-	61
Total liabilities	142 804	562 776	2 359 505	1 759 508	4 824 593
Net liquidity surplus / (gap) as at 31 December 2017	1 856	(1 181)	(4)	(3)	668

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.

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

*See notes 2(c) and 19

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

Credit risk (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 2018 amounts to $7,754.9 billion (2017: $4,825.2 billion) and relates to related parties of $7,754.9 billion (2017: $4,825.2 billion) as shown in the following table:

	As at 31 December 2018 (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	1,694	-	1,694
Structured notes purchased	6,750,065	-	6,750,065
Index linked certificates purchased	744,423	-	744,423
Derivative assets	258,766	-	258,766
Total financial assets	7,754,948	-	7,754,948

	As at 31 December 2017 (in $ 000) restated*		
Rating (Moody's / S&P / Fitch)	**Baa2 / A- to A / A**	**n.r. / n.r. / n.r.***	**Total**
Assets			
Cash and cash equivalents	1,856	-	1,856
Structured notes purchased	3,865,956	-	3,865,956
Index linked certificates purchased	654,547	-	654,547
Derivative assets	302,872	-	302,872
Total financial assets	4,825,231	-	4,825,231

*See notes 2(c) and 19

16. Financial instruments and risk management (continued)

Credit risk (continued)

	As at 31 December 2018 (in $ 000)			
Credit Quality	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Assets				
Cash and cash equivalents	1,694	-	-	1,694
Structured notes purchased	6,750,065	-	-	6,750,065
Index linked certificates purchased	744,423	-	-	744,423
Derivative assets	258,766	-	-	258,766
Total financial assets	7,754,948	-	-	7,754,948

	As at 31 December 2017 (in $ 000) restated*			
Credit Quality	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Assets				
Cash and cash equivalents	1,856	-	-	1,856
Structured notes purchased	3,865,956	-	-	3,865,956
Index linked certificates purchased	654,547	-	-	654,547
Derivative assets	302,872	-	-	302,872
Total financial assets	4,825,231	-	-	4,825,231

The Company has no notes with renegotiated terms as at 31 December 2018 (2017: none).

The Company holds no collateral in relation to the above financial assets as at 31 December 2018 (2017: none).

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 hedge 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).

Uncertainties arising as a result of the vote in the U.K. to withdraw from the EU could negatively impact Citigroup's businesses, results of operations or financial condition. Although the Company – being a Luxembourg based entity – which is not directly impacted by Brexit, it might however be indirectly impacted due to its close relationship with CGML, with whom all instruments issued are back to back, and its dependence to activities outsourced to CGML. Therefore, the actions taken to ensure the continuity of the activities carried out at the level of CGML for the time-being are fully relevant in this context.

*See notes 2(c) and 19

16. Financial instruments and risk management (continued)

Country risk (continued)

As a result of a 2016 UK referendum, Citi established a formal program with senior level sponsorship and governance to deliver a coordinated response to the UK's potential exit from the EU. Citi continues to plan for a "hard" exit scenario until negotiations have concluded and the form of the UK's withdrawal from the EU is finalised. Citi's Brexit strategy focuses on changing its business model in order to ensure continuity of services to its UK, EU and non-EU clients with minimal disruption. Citi's planning takes into consideration areas such as client outreach and facilitation, the Company's access to financial markets infrastructure, contractual continuity, staffing, taxation and outsourcing arrangements.

To support implementation of Citi's plans, Citi has reorganized certain UK and EU operations and has been migrating certain business activities to alternative legal entities and branches with appropriate regulatory permissions and establishing required capabilities regardless of the Brexit outcome.
One aspect of Citi's contingency plans has been to convert its existing banking entity in Germany, Citigroup Global Markets Europe AG ("CGME", previously Citigroup Global Markets Deutschland AG), into Citi's EU Investment firm to support broker-dealer activities with EU clients. CGME's ownership has changed to a wholly owned subsidiary of CGML, consolidating into CGML. In addition, the activities and staff in existing branches of CGML in key EU jurisdictions have been transferred to newly established CGME branches in these jurisdictions.
Under the current assumptions where activities with our impacted EU clients migrate from CGML to CGME, while the associated revenues will also transfer to CGME, currently no material impact is expected on the Company's profitability, trading assets and liabilities, capital, liquidity and funding. Additionally, staff transfers from CGML to CGME and its branches are expected to be minimal other than in the above mentioned branch transfers.

While assumptions have been made around client behaviour and changes in regulatory environment, it does not take into consideration potential long term macroeconomic conditions that may impact the Company.

Citi continues to work closely with clients, regulators and other relevant stakeholders in execution of its plans to prepare for the UK's potential exit from the EU. In addition, Citi continues to monitor short term macroeconomic scenarios and market events and has been undertaking stress testing to assess potential impacts on its businesses.
Whilst the Company is operationally ready to support its clients, having executed its Brexit contingency plans, there are certain challenges which remain for the industry as whole including but not limited to the preparedness and speed of client response and financial markets infrastructure.

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 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.

16. Financial instruments and risk management (continued)

Operational risk (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 and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks.

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.

"KORs" are derived from an evaluation of operational risk exposure on a residual risk basis considering its current business strategy. The identified KORs for CGMFL 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management (continued)

Operational risk

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.

17. Capital Management

The Company is not subject to any externally imposed capital requirements and 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 2018, 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.

18. 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.

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, 2018 there are no losses, claims, damages or liabilities relating to or arising out of the said guarantee (2017: none).

19. Change in accounting policy

As described in Note 2 (c) above, on 9 November 2018 the Sole Shareholder resolved to convert the presentation currency of the Company from Euro ("EUR" or "€") to United States dollar ("USD" or "$"). 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 in 2017 and in 2018 has been done in various currencies, the majority has been issued in USD. As the Board of Managers considers that note issuances will continue to occur mostly in USD, it has determined US dollar as the appropriate functional currency.
This voluntary change of the presentation currency represents a change in accounting policy. The comparative financial statement line items have been restated. The following tables summarise the impacts on the Company's financial statements.

(a) Statement of financial position

	31 December 2017 as previously reported € 000	31 December 2017 restated* $ 000
Assets		
Cash and cash equivalents	1,545	1,856
Structured notes purchased	3,218,174	3,865,956
Index linked certificates purchased	545,774	654,547
Derivative assets	252,541	302,872
Current income tax assets	25	30
Total assets	4,018,059	4,825,261
Liabilities		
Structured notes issued	3,218,174	3,865,956
Index linked certificates issued	545,774	654,547
Derivative liabilities	252,541	302,872
Redeemable preference shares	5	7
Other liabilities	936	1,150
Current tax liabilities	52	61
Total liabilities	4,017,482	4,824,593
Equity		
Share capital	500	627
Foreign currency translation reserve	-	(85)
Retained earnings	77	126
Total equity	577	668
Total liabilities and equity	4,018,059	4,825,261

*See notes 2(c) and 19

(b) Statement of comprehensive income

	For the year ended 31 December 2017 as previously reported	For the year ended 31 December 2017 restated*
	€ 000	**$ 000**
Interest and similar income	-	-
Interest expense and similar charges	-	-
Net interest expense	-	-
Net fee and commission income	809	1,029
Net income from other financial instruments at fair value through profit or loss	-	-
Total operating income	809	1,029
General and administrative expenses	(616)	(759)
Profit before income tax	193	270
Income tax expense	(52)	(62)
Income for the year	141	208
Total comprehensive income for the year	141	208
Profit attributable to:		
Equity holders of the Company	141	208
Total comprehensive profit attibutable to:		
Equity holders of the Company	141	208

20. Subsequent events

Subsequent to the year-end, the Company has issued 1,101 structured notes under the Global Medium Term Note Programme for a net proceed amount of USD 2,543,427,645 and 331 warrants under the Citi Warrant Programmes, of which 199 are presented in the financial statements as index linked certificates for a net proceed amount of USD 338,937,482 and 132 are presented in the financial statements as derivatives for a net proceed amount of USD 132,265,513. The Company issued 32 preference shares in USD, EUR and in GBP for a net proceed equivalent amount of USD 4,078.

Subsequent to the year-end, 199 structured notes matured for a proceed amount of USD 164,044,102 and 199 index linked certificates matured for a net proceed amount of USD 109,954,313 as well as 174 warrants matured for a net proceed amount of USD 71,721,810

The Company fully redeemed 283 structured notes with a proceed amount of USD 733,515,988 and 40 index linked certificates for a net proceed amount of USD 40,880,115 as well as 80 warrants for a proceed amount of USD 65,137,152.

*See notes 2(c) and 19