Citigroup Global Markets Europe AG, Frankfurt am Main

Management Report for Fiscal Year 2020

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Background Information about the Bank

1.1 Business Model

Citigroup Global Markets Europe AG, Frankfurt am Main, (CGME), is a leading international investment firm and securities trading bank (*Wertpapierhandelsbank*) in Germany. Since the beginning of 2018, its business operation has focused, among other things, on offering all financial services as a broker-dealer – particularly to its client in the European Union - and affording them access to the capital markets. It operates its business at its registered offices in Frankfurt and at its branches in London, Paris, Milan and Madrid.

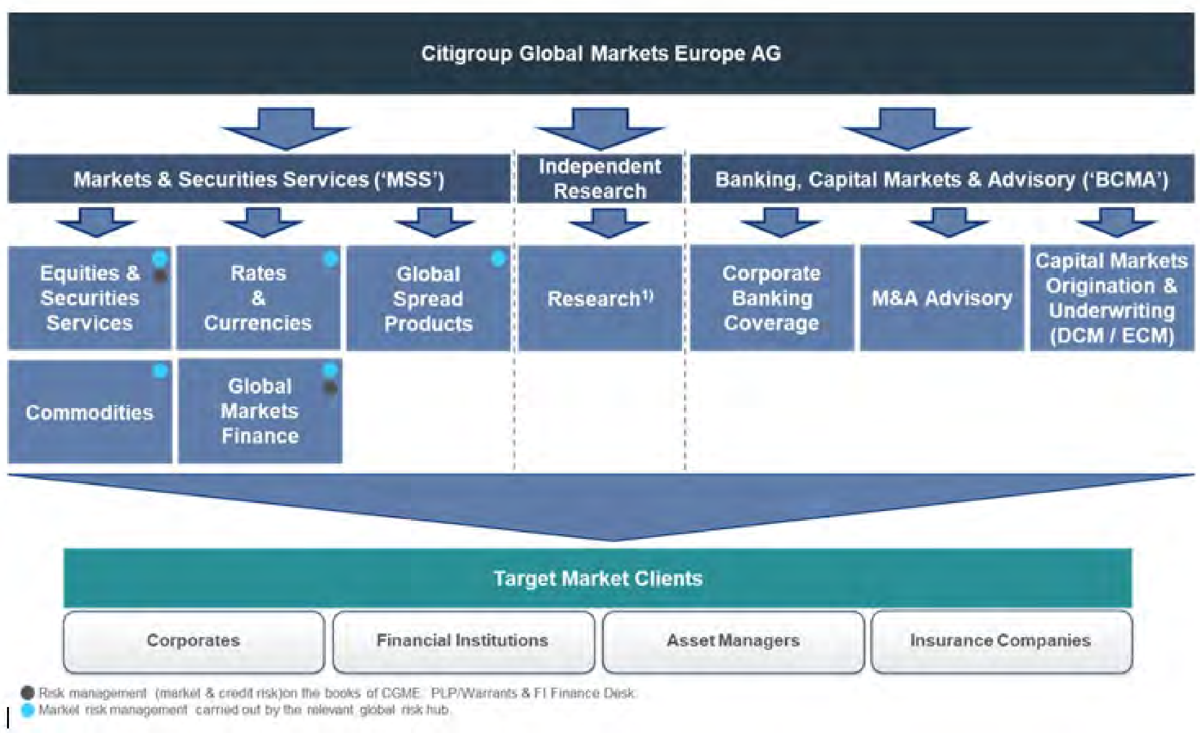
CGME benefits in its business operations, above all, from its integration in the global network of Citigroup, which enjoys a presence in over 160 countries. It maintains active client relationships with Germany's largest enterprises across all industries and with Germany's largest banks, asset managers, pension funds and insurance companies. In addition, it advises clients with registered offices in other European countries. These clients include, among others, large international corporations, financial institutions, institutional investors (such as asset managers and insurance companies) as well as sovereign and public institutions.

CGME facilitates services and solutions for other companies within Citigroup. As an essential part of its business operation, CGME also provides support to numerous subsidiaries of internationally active corporate groups that maintain a business relationship with other affiliated Citigroup companies in their respective home countries. In its role as strategic hub, CGME also supports or advises clients from other markets such as Austria, Switzerland and Scandinavian countries.

The **focus of CGME's business activities** is on the following business fields (*Geschäftsfelder*):

- Banking, Capital Markets & Advisory ("BCMA") and
- Markets and Securities Services ("MSS"),

which offer clients the following product-oriented financial services:



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The business field, **“BCMA”,** includes all advisory work in connection with equity and debt capitalization measures originating on capital markets (“Capital Markets Origination” or “CMO”) and advisory work in connection with corporate acquisitions and transactions (“Mergers & Acquisition” or “M&A”).

“MSS” handles services in the “securities” segment and is sub-divided into the business areas “Capital Markets” (“*Kapitalmarktgeschäft*”) and “Underwriting” (“*Emissionsgeschäft*”).

The two business segments are supported by the Independent Research (“**IR**”) unit, which - beginning in fiscal year 2021 - will provide services particularly in connection with the distribution of research findings, including the delivery of general (i.e., non-client-specific) investment recommendations with respect to stocks, bonds and currencies, the development of macro strategies and the preparation of quantitative analyses and economic forecasts.

The **products and services** of the “BCMA” and “MSS” segments that transcend business divisions and fields and that track the relevant client needs may generally be classified as follows:

Product or Business Division	Description (non-exclusive)
G 10 Rates	• Market making in interest-bearing, highly liquid financial products and derivatives • Trading in government and other bonds, interest rate and cross currency swaps as well as derivative and exotic products
Spread Products	• Services in connection with client products to establish access to “investment grade”, “high-yield and distressed bond” markets • Credit derivatives and structured credit products
Equities	• Market making in equities • Services in connection with the issuance of shares, convertible bonds, publicly-listed and OTC derivatives, structured products, securities financing including electronic trading
Investor Services / FCC-Business	• Prime brokerage services for clients (e.g., securities lending, margin financing, clearing) • Custody services for hedge funds and institutional investors • Equity loans and liquidity management • Synthetic products • Delta One products • Futures and OTC-Clearing
Commodities	• Services in connection with the risk management • Liquidity solutions
FX – LM-Business	• Services in connection with hedging foreign currency risks • Provision of intragroup and intercompany liquidity
Capital Markets Origination (“CMO”)	• Structuring and syndication of securities and financing transactions on debt/bond capital markets • Structuring of equity and other debt capital measures

Overall, CGME currently advises almost all corporate groups listed on the DAX and various other enterprises listed on the M-DAX, major international industrial, insurance and banking groups, and the German government (including the German Federal States and other public institutions).

Since Citigroup’s global strategy calls for clients to be advised, whenever possible, in the country in which they are headquartered, a significant portion of CGME’s income is generated from intra-group charges (“Global Revenue Attribution” or “GRA”). The intermediated transactions are duly recognized (booked) by other legal entities of Citigroup and are therefore not directly reflected in the CGME’s own accounting. The services thereby provided by CGME are compensated under a transfer pricing model.

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In light of the fact that the United Kingdom definitively left the European Union on December 31, 2020 after a transitional period, the Citigroup BREXIT strategy was resolutely implemented in the past fiscal year with a goal of developing CGME into one of the leading international investment firm and securities trading bank in Europe. Additional clients of CGML (and their activities) were assigned to the “BCMA” and “MSS” business segments. At this time, it is assumed that the client migration will be largely consummated during the course of 2021.

1.2 Objectives and Strategies

1.2.1 General information

CGME prepares a business strategy on the basis of a three-year period, which the Executive Board reviews and, if necessary, adjusts quarterly or in shorter intervals, if necessary. Individual statements and forecasts in this strategic plan are “forward-looking” and are based on the current expectations of CGME's Executive Board. Accordingly, such statements and forecasts are subject to uncertainties and potential changes, particularly with regard to external conditions.

The actual results as well as capital and other financing conditions can differ from the information contained in these statements and the strategic plan based on a variety of factors. These factors include, but are not limited to, macroeconomic and other challenges and uncertainties related to the COVID-19 pandemic, such as the extent and duration of the impact on public health, on the European, the U.S. and global economies, on financial markets and on the behavior of consumers and corporate clients, including economic activity and the employment situation in the individual countries. In addition, the various measures taken by governments, the European Central Bank and the national central banks impact CGME’s business strategy and its implementation.

If necessary, the strategic plan will be reviewed again in 2021 and adjusted as needed.

1.2.2 Fundamental strategic objectives

The CGME business strategy – together with its own economic efficiency goals – is primarily client-oriented and is based on the positioning of the individual business divisions “BCMA” and “MSS” according to the client product and service requirements and market conditions while factoring in the relevant external environment, the regulatory requirements and the competition. The business activities are supplemented by research services connected with financial products and country-related and market-sector-related developments that are generally provided independently of clients.

CGME's strategic plan for 2021 to 2023 basically comprises two key focal points:

- The continuing reorientation of CGME, which began in 2018, as an EU investment bank and/or securities trading bank, against the backdrop of Citigroup's restructuring of its European business activities as a consequence of BREXIT (implementation of the remaining so-called “Day 1 Business Milestones”“)
- Expansion of business activities against the backdrop of the expiration of the transition period for the United Kingdom's exit from the EU as of December 31, 2020 by, among other things, taking over selected new financial instruments with a resulting overall risk profile for CGME and by providing additional services to clients (implementation of the so-called “Day 2 Business Model”).

Background Information about the Bank

As a result of the COVID-19 pandemic, no significant adjustments to the strategic orientation have yet been undertaken. The focus of business activities in Germany - especially in France, Italy and Spain - remains on the business segments “Markets and Securities Services” and “Banking, Capital Markets & Advisory”. Moreover, “non-client-specific research” is being established as an additional field of activity.

In addition to implementing the requirements associated with Citigroup's BREXIT strategy, CGME's short-term focus will be on the growth of a competitive business in a post-BREXIT environment that is fostered by stable governance and a rigorous risk control system. Specifically, the strategic plan establishes the following core qualitative goals with the following main priorities:

- **Clients**
  - Improving the client experience (including seamless client transition upon expiration of the BREXIT transition period)
  - Maintaining, developing and expanding client relationships by implementing our “Be the Best” philosophy
  - Acquiring clients (e.g., “Citi Investment Bank Top 3 Initiative”), innovation

- **BREXIT**
  - Operational readiness until expiration of the transition period
  - Establishment of a post-BREXIT competitive business by implementing new business projects and initiatives that improve the CGME's new business model as a broker-dealer (including related financial market infrastructure and IT improvements)
  - Alignment of organizational structure and processes, taking into account regulatory requirements

- **Profitability**
  - Implementation of profitability initiatives to create diverse, sustainable and predictable revenue streams
  - Earnings growth
  - Spending discipline

- **Regulatory requirements**
  - Practical and goal-oriented implementation of existing and changing statutory and regulatory requirements
  - Timely preparation in anticipation of possible future supervision by the European Central Bank
  - Continuing good cooperation with all regulatory authorities

- **Reputation**
  - Maintaining our good reputation with clients and regulators

- **Governance, Risk and Controls**
  - Strengthening the risk and control environment in accordance with regulatory requirements for risk management
  - Effective leadership at CGME locations in Germany and abroad.
  - Regular review of, and adaptation to, “best practices” at the Citigroup company level

- **Employee Development**
  - Continuing focus on support and retention of key employees

- **Corporate Culture**
  - Continuing development of the concept of integrative leadership with the following priorities:
    - Personal and professional development of our employees
    - Value creation for client
    - Mutual collaboration
    - Promoting progress
    - Exemplifying our values
    - Achieving positive results.

  - Maintaining a sound ethical environment in which employees feel comfortable raising ethics concerns
  - Implementing requirements identified for cultural change.

In connection with the implementation of our business model as an EU investment bank and/or securities trading bank, we defined sub-strategies with the following priorities:

- Product strategies for the following sub-segments
  - Markets and Securities Services (MSS)
  - Banking, Capital Markets & Advisory (BCMA)
  - Independent Research (IR)
- Sub-strategies for our branches in France, United Kingdom, Italy and Spain
- IT strategy
- Outsourcing strategy
- Implementing the corporate culture, including human resources strategy

Based on the individual strategic plans for the years 2021 to 2023, the following **key financial and non-financial performance indicators** have been established:

- **Financial performance indicators**
  - Earnings before Taxes (EBT)
  - Operating Efficiency (ratio of earnings to expenses before income taxes)
  - Return on Equity (RoE)
  - Common Equity Tier 1 (CET 1) Ratio
- **Non-financial performance indicators**[1]
  - Reinforcement of the globally-oriented CGME model for the client and business philosophy that is pursued by Citigroup as well as the core values related thereto
  - Development of management standards and promotion of the personal growth and development of the employees including the continued improvement of a suitable performance management and compensation process
  - Implementation of regular training programs
  - Implementation of an annual employee survey with the substantive focus on “diversity”, “commitment”, “management effectiveness” and “ethical corporate culture”
  - Advancement of diversity strategies, which include balanced, gender-specific diversity at individual management levels
  - Constant development of the employee numbers in light of the favorable economic development at CGME.

[1] Quantitative information will be provided, to the extent it is used for internal management.

1.2.3 Markets and Securities Services

The MSS business is positioned first and foremost to support the clients' needs in transactions with an EU-licensed bank, specifically to allow clients to interact with a European-wide bank that complies with the European laws and European banking regulations. In this regard, a distinction is made between the two following business areas:

- Capital Markets, and
- Underwriting.

In the **Capital Markets** business, CGME continues to have a presence in the equities, and since its reorganization into a securities trading bank, has also continuously expanded its capacities in the following asset classes - "Foreign Exchange & Local Markets", "G10 Rates", "Global Spread Products", "Commodities and Futures Clearing & Collateral".

Since March of 2019, the activities primarily in cash products ("non-derivatives") have been enhanced. Moreover, the CGME has been engaged in the business of selling warrants and certificates and brokering equities and equity derivatives with institutional investors. The sale of bonds as well as interest and credit derivatives are also handled in this business field. The product portfolio includes both structured financial solutions and simple flow transactions (*Flowgeschäfte*). In addition to foreign exchange business development, this corporate division is also the organizational home for warrants trading and CGME's short-term liquidity management.

"MSS" is mostly volume-driven and is a business with some low margin flow. Consequently, the uncertainty surrounding the macroeconomic and political developments harbors a risk of lower client volume. With this in mind, here are some of the defined core elements of the business strategy:

- Continued expansion of the business with "fixed income insurance" and "pension solutions"
- Acquisition of portfolios of European government bonds
- Intensified implementation of strategic MSS projects
- Continued expansion of the client-based product lines
- Implementation of offerings including "market making" of primary and secondary commercial paper and certificates of deposit in European and Asian markets
- Continuous increase in market share in connection with equities and derivatives
- Enhanced cooperation with family offices
- Generation of significant organic growth in the private banking sector.

1.2.4 Banking, Capital Markets & Advisory (BCMA)

The **BCMA Division** encompasses the advisory work for the clients (e.g., companies, financial institutions, public sector) across all products and entails coordinating activities of all products and services to which these clients avail themselves from Citigroup throughout the world. Likewise, BCMA has been allocated responsibility for advising on mergers and acquisitions (M&A) and for advising on corporate finance issues, such as the issuance of equity or debt instruments as well as the brokerage of corporate financing in the form of syndicated and bilateral loans. The Capital Markets Division is organizationally divided into the "ECM" (Equity Capital Markets) and the "DCM" (Debt Capital Markets) segments.

Based on its long-established and ongoing client relationships and its closely-meshed cooperation with the MSS divisions and other Citigroup units, the BCMA division is in a position to offer clients an integrated product portfolio and to thereby exploit certain competitive advantages.

The primary task of the BCMA Division is to further expand the market position of CGME as one of the first go-to partners for addressing strategic corporate finance issues such as acquisitions and capital market financing and for handling the operational management of cash flows. The “BCMA” business division - unlike other market participants – offers institutional clients a broad spectrum of advisory and financial services. Citigroup’s global presence is a big advantage in this regard.

The episodic business encompasses primarily M&A advice as well as advisory services in the underwriting of equity instruments (initial public offerings) and debt instruments. Given the great significance of these episodic transactions, BCMA is highly dependent on trends in the general economy and in the financial markets. The business and earnings development are therefore rather cyclical.

With a large number of existing clients, CGME already holds an important position among the banks that focus on “corporate finance”. The emphasis has been on expanding this strategic positioning by strengthening the market position among institutional clients in Germany and in other German-speaking regions. Beyond that, the market position should also be expanded in the other European countries, with the branches outside of Germany expected to assume a key role here.

In order to be able to cover the future financing needs of the target clients, the following strategic measures, among others, were established:

- intensifying the focus on the cooperation with so-called “episodic” clients with relatively high anticipated fee income (encompassing approx. 5% of the clients)
- expanding the cooperation with so-called “non-target clients”
- assuming the market-leader position for initial public offerings among German companies.

1.2.5 Independent Research (IR)

Independent research services in the EMEA region have been provided heretofore by CGML. With the end of the BREXIT transition period as of December 31, 2020 and the associated loss of MIFID-II passporting rights, research services for Citigroup clients in Europe are to be provided henceforth by CGME. The strategic approach envisions, among other things, that on the basis of the contracts concluded between CGME and clients, services to be provided in the context of outsourcing to Citigroup units outside the EU area (e.g., CGML) will be provided by CGME employees in the individual countries based on existing national rules. Research services for clients based in an EU country will be made available *via* access to the “CitiVelocity” platform as well as other websites (e.g., Bloomberg). In addition, analysts will be available to clients to provide further information or advice.

1.3 System of Controls

The management control within CGME remains founded on a **value-based management concept**. The design of this concept is predicated on the fact that the risks assumed by the business fields must be consistent with the external and internal policies on risk-bearing capacity (i.e., capital adequacy) and on the fact that over the long-term, a reasonable return must be earned on the capital employed. In this connection, CGME regularly reviews the allocation of limited resources among the business divisions and proactively adjusts its business strategy to meet changing market conditions in an effort to increase long-term corporate value.

Key benchmarks with regard to CGME controlling are based on US-GAAP accounting. Part of the controlling involves a regular analysis of the capital adequacy and the calculation and management of the so-called “operating efficiency” for CGME.

The established financial performance indicators, above all EBT and **Operating Efficiency,** are continually monitored by the Executive Board. In order to optimize these indicators, CGME engages in an active cost and income management program. Efforts are constantly underway to improve the control target value for the CGME operating efficiency up to 90% for the years 2020 through 2022.

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The **capital adequacy** is calculated according to the principles of the Minimum Requirements for Risk Management of the Banks issued by the Federal Financial Supervisory Authority (BaFin) and dated October 27, 2019 (MaRisk). The identified and quantitative risks and risk coverage potential (*Risikodeckungspotential*) is thereby compared. The capital adequacy is deemed to exist if the significant risks (*wesentlichen Risiken*) of CGME are continually covered by the risk coverage potential after factoring in risk concentrations. With the establishment of the individual risk limits, the transgression (breach) of which is linked to escalation procedures, efforts will have been made to ensure that during the course of the year, the capital adequacy corresponds to the business development. Opposing trends and developments are thereby identified early on and counter-measures are implemented. The changes that are expected to emerge due to the amendments of MaRisk 2021 – among other things in connection with outsourcing – will be promptly considered by CGME as soon as the final version of the amended risk management requirements of BaFin are published.

Another element for controlling and managing CGME is the market positioning of CGME in the episodic business. The market positioning is defined using the Dealogic Ranking. In this regard, the Bank looks to the overall market and to the market covered by Citigroup.

Just like the "operating efficiency", the capital adequacy and the market positioning in the episodic business, human resource planning is an important component of CGME's strategic planning and is tied to the developments in the banking sector and the financial markets. If key changes take place due to market developments, then the human resource planning will be adjusted in a timely manner and in accordance with existing employee social conditions.

The corporate culture at Citigroup is founded on the Bank's existing culture of achievement, which, in turn, is seen as the basis for the business success. By communicating clear and structured principles, CGME is strengthening this culture by:

- setting goals and monitoring performance
- differentiating performance
- promoting diversity and equal opportunity among the employees.

The strategic and operational decisions for CGME are made by the Executive Board, and their implementation is monitored by the Supervisory Board. The Executive Board meetings are held at least once each month; the meetings of the Supervisory Board are generally held on a quarterly basis or, if necessary, in shorter intervals. Furthermore, CGME has set up various committees that identify, access and approve the procedures and implemented control processes. For the meetings of the Executive Board, the Supervisory Board and the other working groups, the members of those bodies are given reports about all significant activities, initiatives and risks and about the status of all business divisions and supportive divisions. The individual Executive Board members sit on various committees (for example, the Business Risk Committee, Compliance and Control Committee, Country Coordinating Committee, Governance Committee).

The Executive Board will receive from the "Risk Controlling" Division regular reports (on a daily, monthly and quarterly basis) regarding the status of significant risks of CGME.

In addition to the aforementioned Committees, the Asset Liability Committee ("ALCO") meets each quarter to focus on balance sheet management, cash flow management and risk management. The ALCO also monitors compliance with the capital adequacy requirements and examines the compliance with the legal and regulatory requirements with regard to liquidity, balance sheet and treasury demands.

The "New Product Committee" reviews all of CGME's new products and the risks related thereto and approves them, if appropriate.

In the opinion of the Executive Board, the **internal control system** of CGME satisfies the requirements of orderly management (*Anforderungen an eine ordnungsgemäße Geschäftsführung*).

1.4 Significant Business Policy Events in the recently completed Fiscal Year 2020

In light of the expansion of CGME's business operation in 2020 as well as the commensurate projections about the (risky) business volume in subsequent years, the sole shareholder of CGME, Citigroup Global Markets Limited, London/UK, (CGML), injected additional equity capital on March 13, 2020 pursuant to § 272 (2) no. 4 HGB in the amount of USD 300 million, which converts into EUR 270.6 million. At the beginning of December 2020, another infusion of capital equity was made pursuant to § 272 (2) no. 4 HGB in the amount of USD 342 million, which converts into EUR 281.2 million.

2 Economic Report

2.1 Overall Economic Development

Recessionary Global Economy in a Recovery Phase with a Downward Trend

Global economic performance in 2020 was largely shaped by the effects of the COVID19 pandemic. In the first half of 2020, wide-ranging restrictions were implemented to contain the COVID 19 pandemic, resulting in a major economic downturn. Significant financial policy measures were launched to mitigate the recessionary economic effects of the pandemic. The global economy continued its recovery in the course of the second half of 2020, particularly toward the end of the year. Nevertheless, the rebound was again impeded by an increase in the number of infections during the second quarter of 2020.[2] The associated restrictive and ongoing containment measures in many countries, including in the Eurozone, adversely affected economic activity.

Global industrial production at the end of the third quarter of 2020 largely attained the prior year level. However, sentiment indicators point to a slowdown in the economic recovery process.[3] The same holds true for global trade.

In the Eurozone, France, Italy and Spain, in particular, sustained disproportionate declines in economic output following lockdown measures imposed in response to the particularly widespread sweep of infections.

In order to counteract the negative effects on economic development, governments undertook various financial and labor market policy initiatives at the EU level, including, among other things, the issuance of collective debt and implementation of financial transfers and tax policy measures. In addition, in mid-March, the European Central Bank (ECB) began expanding existing purchase programs. In addition, a so-called “pandemic emergency purchase program” was launched, and individual regulatory standards for commercial banks were relaxed.

Due to the recent intensification of the COVID-19 pandemic, the risks continue to point to a negative global economic outlook.[4] In the countries badly affected by the pandemic, the pace of growth has weakened. On the other hand, the diminishing uncertainties for trade relations between the European Union and the United Kingdom and the changes in political conditions in the United States could have a favorable impact. It is currently anticipated that the new U.S. administration will seek to provide additional fiscal stimulus in addition to the recovery package that was passed at the end of the year. Nonetheless, the U.S. labor market has deteriorated further due to the COVID-19 pandemic, among other reasons.[5]

In the United Kingdom, the impact remains weak despite the trade agreement signed with the European Union in December which, among other things, continues to provide for duty-free and quota-free trade in goods. Given the continuing large increase in the number of COVID-19 infections, remaining uncertainties surrounding the results of the BREXIT negotiations and downturn in the labor market, gross domestic product is expected to decline.

Economic Development in Germany and the Eurozone

Negative economic development as a result of the COVID-19 pandemic reached historic proportions in Germany, even in the face of support measures introduced at the EU and federal level. Gross domestic product declined by approximately 5.0% in 2020, following regular increases in previous years.[6] In the Eurozone, economic output declined in the first quarter by 3.7% and by 11.7% in the second quarter, in each case by reference to the preceding three months. The economy registered growth of 12.4%, reflecting a significant recovery, in the third quarter. Nevertheless, due to increased containment measures as a result of the renewed increase in the number of COVID-19 infections in the fourth quarter of 2020, a renewed decline in gross domestic product is expected.[7].

[2] See also European Central Bank, Economic Bulletin, 1/2021, p. 3
[3] See press release of the Federal Statistical Office, January 14, 2021
[4] See also European Central Bank, Economic Bulletin, 1/2021, p. 7
[5] See also European Central Bank, Economic Bulletin, 1/2021, p. 9
[6] See press release of the Federal Statistical Office, January 14, 2021
[7] See also European Central Bank, Economic Bulletin, 1/2021, p. 14

Economic Performance in France, Italy and Spain

France's economy was especially hit hard by the COVID-19 pandemic and by the containment measures implemented in the first half of 2020. In the course of the second wave of the coronavirus crisis, the French economy again shifted into reverse. After a strong recovery during the summer months, the second largest economy in the Eurozone contracted again in late 2020. In the fourth quarter, gross domestic product (GDP) declined by 1.3% from the prior quarter, according to an initial estimate by the Insee national statistics bureau in late January 2021. In the third quarter, French economic output recovered strongly from the spring coronavirus slump, rising by 18.5% (previously 18.7%). As a result of the renewed setback, the French economy lost ground in the race to recover from last spring's coronavirus slump. In the year-on-year comparison, economic output fell by 5.0% in the fourth quarter, after the decline in the third quarter was only 3.9%.[8]

In the first half of 2020, **Italy**, alongside Spain, was the country in the Eurozone most affected by the coronavirus crisis. The Italian government sought out greater financial solidarity from the other European countries. Italy's economy had suffered badly from the coronavirus crisis. While the economy collapsed in the spring of 2020 as a consequence of the COVID-19 pandemic and lockdown, GDP increased by almost 16% in the ensuing third quarter. With the coronavirus pandemic flaring up again toward the end of the year, GDP resumed its decline, according to initial estimates. According to the forecast, if growth is sustained, Italy's economy could return to pre-coronavirus levels in 2023.[9]

Spain, which was also severely affected by the COVID-19 pandemic, sought to mitigate the effects of the crisis by enacting an economic stimulus program comprising approximately 20% of GDP. Nevertheless, the EU Commission expects the economy to recover rapidly in 2021, with growth projected to reach 5.6%.[10]

Easing of Monetary Policy by Central Banks

Against the background of the negative economic developments wrought by the COVID-19 pandemic, global financial markets also reacted dramatically, necessitating extensive monetary policy measures. The Fed cut its prime rate in two steps, from a range of 1.50% - 1.75% to 0.00% - 0.25% in March, and decided to purchase an unlimited volume of bonds to preserve the functioning of the financial markets. In the Eurozone, the ECB launched the "PEPP" (Pandemic Emergency Purchase Program) with an initial total volume of EUR 750 billion, in addition to the existing bond purchase programs. The volume was increased by an additional EUR 600 billion to a total of EUR 1,350 billion and will run until at least the end of June 2021. In addition, the ECB adjusted the conditions for longer-term refinancing transactions in April 2020. Depending on the extent of their lending, banks can secure an interest rate as low as 50 basis points below the deposit rate (negative 0.5% as of June 30, 2020) on their "tendered" volume over part of the term.

Yields on long-term European government bonds from the euro area initially rose in 2020, but remained at a very low level overall. The GDP-weighted return on ten-year government debt instruments from the euro area increased by 5 basis points to negative 0.19%.[11] By comparison, ten-year government bond yields in the United Kingdom and United States increased 10 and 17 basis points respectively.[12]

The spreads between the yields on government bonds from the euro area and risk-free interest rates remained largely unchanged. The spreads of ten-year German, French, Italian and Spanish government bonds changed only slightly by up to negative three basis points and amounted to negative 0.27 percent for German government bonds and negative 0.05, positive 0.84 and positive 0.33 percent for the other aforementioned European countries.[13]

[8] See Wallstreet online, January 29, 2021
[9] See online-börsennews, January 15, 2021
[10] See EU Commission Winter Forecast, February 11th, 2021
[11] See also European Central Bank, Economic Bulletin, 1/2021, p. 11
[12] See also European Central Bank, Economic Bulletin, 1/2021, p. 11
[13] See also European Central Bank, Economic Bulletin, 1/2021, p. 12

After the stock markets initially declined at a record pace due to the crisis in March 2020, share prices recovered significantly during the course of the year, largely as a consequence of overall expansionary fiscal and monetary policy and hopes of a rapid economic recovery. In the euro area, share prices of non-financial issuers rose by 4.3% in 2020, while shares of banks rose by a total of 1.1%.[14] By contrast, shares of non-financial corporations in the United States increased 5.5%, a similar rate as that experienced in the euro area, while shares of American banks registered a comparatively high increase of 10.6%.[15] The DAX ended the year at 13,719, an increase of about four percent over the previous year.

The ongoing low interest-rate environment and geopolitical uncertainties pose major challenges for credit and financial services institutions. Moreover, regulatory mandates imposed by supervisory authorities continue to increase, despite some easing in response to the crisis. The measures to be taken in response require commitment of human and monetary resources.

2.2 CGME Business Performance

2.2.1 Business development

CGME's business performance during fiscal year 2020 was positive during the transition year 2020 despite uncertainty related to the effects of the COVID-19 pandemic and the exit of the United Kingdom from the European Union. The realignment of the Bank as a securities trading bank, which began in early 2018, was rigorously implemented in 2020 with the expansion and relocation of business activities and client relationships from the London-based sole shareholder "CGML" to the respective business locations of the Bank. The business model, which continues to be focused on client needs, brought about an expansion of the portfolio of products and services in 2020. The transfer in 2020 from CGML to CGME of approximately EUR 46 billion of business with clients based in the European Economic Area was implemented. The financial instruments business, which is largely accounted for as client receivables and payables as well as trading portfolios, increased as of the reporting date by around EUR 46 billion to approximately EUR 60 to 61 billion. As of December 31, 2020, the balance sheet total was EUR 70.3 billion (prior year: EUR 16.3 billion).

As a consequence of the transfer of client business relationships and the associated financial instruments, the Bank's risk profile has also changed in 2020, particularly with regard to counterparty risk. The Bank's equity base was further bolstered in 2020 to ensure full liquidity and compliance with regulatory requirements.

Earnings developed extremely satisfactorily in 2020. Expectations from prior-year planning and budgeting anticipated an essentially balanced annual result. After an annual deficit of approximately EUR 46 million in the previous year, an annual surplus of approximately EUR 17 million was generated in 2020, with the improvement due primarily to better-than-average earnings development in the MSS Division attributable to increased market volatility for derivative financial products, among others. In addition, earnings were positively affected by reimbursement of expenses as part of the implementation of the group-wide strategy of establishing CGME as a leading securities trading bank. In addition, the Executive Board of CGME has initiated certain measures to improve profitability in the respective business areas, including improvements in cost structures with respect to transactional and administrative expenses.

[14] See also European Central Bank, Economic Bulletin, 1/2021, p. 12
[15] See also European Central Bank, Economic Bulletin, 1/2021, p. 12

The prior-year forecast anticipated positive **EBT** of approximately EUR 7 million. Because of the extraordinarily positive earnings development in 2020, EBT of approximately EUR 39 million was achieved. Our **“Operating Efficiency”** financial performance indicator was pegged at 97% in 2020, after having registered approximately 113% in 2019. As a consequence of greatly improved earnings in 2020, we achieved better-than-average “Operating Efficiency” of around 91%.

Against the background of the expansion of business activities and the associated increase in business volume, further infusions of **Equity** totaling EUR 552 million were made in 2020, in line with our plans and also to meet regulatory capital requirements.

2.2.2 Markets and Securities Services (MSS)

The business performance of the Markets and Securities Services (“MSS”) Division was substantially influenced by the effects of the COVID-19 pandemic as well as the unchanged low-interest-rate environment and the consequences of BREXIT. Above all in March 2020, markets initially exhibited a very high level of volatility. After the initial overall decline in the stock, bond, currency and commodity markets, a robust recovery set in as a result of numerous support measures taken by governments and central banks, which continued throughout 2020 with slight fluctuations.

Clients increasingly approached CGME in order to position themselves according to their economic objectives based on the market environment. The decline in liquidity in some areas resulted in larger than usual bid-ask spreads, as numerous traders sought to reduce risk. The MSS business segment was able to generate positive results amidst market tensions due to diversified positioning and overall global profitability, thereby achieving above-average earnings largely exceeding the prior year's level, particularly in March 2020 but also in subsequent months. The most profitable subsegments with positive earnings growth were the products and product areas “Solutions”, “Rates”, “Global Spread Products” and “Equities”, as well as “Public Listed Products” and “Retail Cross Asset Solutions”.

Compared to the prior year, satisfactory increases in earnings were achieved at all CGME locations in fiscal year 2020 across all product areas of the “MSS” Division. The main branch in Frankfurt am Main reported an increase in earnings of 29%, while the year-on-year increase at other locations registered 24% in Paris, 50% in Milan and 51% in Madrid.

As in all CGME business units, extensive organizational measures were undertaken in the “MSS” segment to protect employees at the individual locations from the COVID-19 pandemic. By switching to the backup location in Frankfurt am Main and the technical facilities of employees in home offices, it was possible from the beginning of the pandemic to operate efficiently and at all times in compliance with all regulatory requirements. There were no declines in efficiency or earnings across any product types or product lines. During the course of the first half of 2020, plans were developed for a possible return of employees to offices in accordance with all rules and regulations promulgated by the federal government to contain the COVID-19 pandemic. It was possible to realize these plans in part, as well as additional internal protective and hygiene measures. With the increasing number of infections in the second half of the year, in-person presence, which had risen to around half of the employees, was reduced to around 10% of the workforce and only in places where physical presence in the office was absolutely essential. Employees can currently only be present in person with the approval of the Executive Board and the COVID-19 crisis team.

Negotiations for an orderly withdrawal of the United Kingdom from the EU continued to be very difficult to the end, with little tangible progress. The MSS Division, therefore, resolutely pursued preparations for a hard BREXIT without an exit agreement. At the end of the year, over 97% of clients had either already been reassigned to an EU unit of Citigroup, or preparations for a reassignment had been completed. Although a last-minute agreement was reached between the EU and the UK, the agreement lacked extensive provisions for the financial services sector. However, some temporary or permanent provisions relating to cross-border activities in the financial services sector from the United Kingdom to Luxembourg and Italy were agreed, which averted the need for some clients to relocate “out” of these jurisdictions. Preparations for BREXIT were fully completed by year-end.

At the end of 2020 and in the first several weeks of 2021, additional employees were hired by the French branch. In particular, trading capacities in the refinancing area for CGME and in the area of interest-rate trading were established at this location.

The target market continued to be the European Economic Area, and target clients remained “large companies”, “financial service institutions”, “institutional investors” and the “public sector”. On a selective basis and at the client’s request, CGME also endeavors in the “MSS” Division to take in clients outside of the European Economic Area, if such action is desired from client perspective, such as for reasons of efficiency.

2.2.3 Banking, Capital Markets & Advisory (BCMA)

Despite the Covid-19 crisis and the global macroeconomic tensions related thereto as well as increased uncertainty on the capital markets, the BCMA segment reported a satisfactory fiscal year 2020.

We believe that the market position in the episodic business, above all in Spain, has improved over the prior year. This favorable trend is thereby reflected in the commission income that was generated. Also to be considered is the takeover of the business operations of the branches in Spain, Italy and France, which Citigroup Global Markets Ltd. completed as of March 1, 2019 and which led to an expansion of business and to a related increase in commission income.

In 2020, the “BCMA” Division generated commission income that totaled approx. EUR 171 million (prior year 2019: approx. EUR 148 million) and was distributed along the following key products and product areas:

Product/Product Area	2020 (EUR million)	2019 (EUR million)	Change (EUR million)
Credit Portfolio Management (CPM)	10.2	5.0	5.2
Equity Capital Markets (ECM)	12.5	17.7	- 5.2
Debt Capital Markets (DCM)	35.8	30.5	5.3
Mergers & Acquisitions (M&A)	112.5	94.9	17.6
Other	0.0	0.2	0.5
Total	**171.0**	**148.1**	**22.9**

The income generated in the “CPM” product arena, which is not being offered by the branches acquired in 2019, rose significantly in 2020. The main cause of this increased demand in credit is the COVID-19 crisis and the related increase in the margins that was favorably reflected in the CPM income.

The business activities in the “**ECM**” Division, particularly in the first quarter of 2020, were influenced by uncertainties on the capital markets caused by the Covid 19 crisis. Nevertheless, during the remainder of the year, the market activities gained momentum, which facilitated a recovery in fee income on the market. Although the fees generated by CGME did not meet expectations, CGME was able, however, to outperform other market participants and attain a top-three market ranking as measured by the Dealogic Ranking in France (2nd place ranking) and Italy (3rd place ranking).[16]

[16] See Dealogic as of December 31, 2020 for France and Italy.

When the market environment improved as a result of fiscal and monetary policy measures to support the economy following the COVID-19 outbreak, companies used the opportunity to issue bonds to strengthen their liquidity positions, particularly in the first half of 2020. These actions by market participants allowed the **DCM** product area to increase fee income in the market compared to the same period in the prior year. In particular, CGME was able to maintain a strong market position in the Investment Grade Debt (IGD) segment, notably in Germany (Dealogic 3rd place ranking) and Italy (Dealogic 4th place ranking).[17] Overall, fiscal year 2020 proceeded satisfactorily, yet our expectations with respect to the DCM product were not completely met due to the strong competition in 2020.

The "**M&A**" Division reported particularly strong fee revenue in 2020, inasmuch as a series of the transactions that closed in 2020 had already been in the pipeline in 2019. Accordingly, in a challenging market environment that was strongly impacted by COVID-19, we were able to benefit from a strong "deal pipeline" and reach a Top-3 position in Spain. [18]

2.3 Net Assets, Financial Condition and Results of Operation

2.3.1 Results of operation

The result in the fiscal year 2020 developed as follows compared to the prior year:

	Jan 1-Dec 31,2020 (EUR million)	Jan 1-Dec 31,2019 (EUR million)	Change (EUR million)
Net interest income	- 37.5	- 10.1	- 27.4
Current income from equity investments	0.2	0.2	- 0.0
Net commission income	222.5	177.3	45.2
Income from trading operations	69.9	29.0	40.9
Other operating income	99.3	40.3	59.0
Administrative expenses	- 292.8	- 261.4	-31.4
Other operating expenses	- 22.9	- 15.5	- 7.4
Result before taxes	38.5	- 40.2	78.7
Income taxes	21.7	- 5.5	27.2
Annual net profit/Annual net loss	**16.9**	**- 45.7**	**62.5**

Negative interest result increased

Compared to the prior year, negative **interest income** further deteriorated by EUR 27.4 million to negative EUR 37.5 million. The main reasons for the deterioration were an increase in interest expense by EUR 16.1 million to approximately EUR 35.0 million, which was incurred, among other reasons, in connection with margins and collateral provided as part of the broker/dealer business, the volume of which increased significantly in comparison with the prior year. This also led to higher liquidity levels at domestic and foreign credit institutions as a result of the comparatively large increase in repo transactions which, in an unchanged low-interest-rate environment with negative interest rates, added approximately EUR 12.4 million to the negative interest results (prior year: EUR 10.3 million). Interest income from lending and money-market transactions totaled EUR 8.9 million in 2020, compared to interest income of EUR 18.9 million in 2019.

[17] See Dealogic, as of December 31, for Germany and France.
[18] Vgl. Dealogic as of December 31, 2020 for France and Spain.

Current income from equity investments

As in the prior year, income from equity investments relates to dividends received from the equity interest in Boerse Stuttgart AG, Stuttgart.

Commission income greatly improved

Net commission income increased in 2020 by EUR 45.2 million over the prior year to EUR 222.5 million, with commission revenues totaling EUR 265.0 million (2019: EUR 211.8 million), while the increase in commission expenses of around EUR 8.0 million to EUR 42.5 million was comparatively lower than the prior year.

Approximately 65% of **commission income**, or EUR 171.0 million, were attributable to the "**BCMA**" Division (prior year: EUR 148.1 million, or approximately 70%) while, as in the prior year, a significant share of such income, approximately EUR 112.5 million, was generated by the Mergers & Acquisitions Division (2019: EUR 94.9 million). The "Debt Capital Markets" product area also reported a year-on-year increase in commission revenues of EUR 5.4 million, or about 18%, to a total of EUR 35.8 million.

The "**MSS**" Division generated commission income of approximately EUR 93.9 million (2019: EUR 63.7 million).

Of the **commission expenses** (EUR 42.5 million; 2019: EUR 34.5 million), a total of approximately EUR 39.9 million (prior year: EUR 32.9 million) was attributable to intra-group commission payments for the "BCMA" Division.

Net trading income increased

The positive **net income from financial trading operations** in the amount of EUR 69.9 million (2019: EUR 29.0 million) resulted almost exclusively from trading in equities, index and foreign currency products as well as dividends from stock holdings, whereby income in the amount of EUR 1,428.6 million (2019: EUR 155.8 million) are juxtaposed with expenses totaling EUR 1,358.9 million (2019: EUR 126.8 million). The dramatic jump in trading income and expenses compared to the prior year is attributable to the high increase in trading volume for financial instruments and the back-to-back model connected therewith. Specifically, the financial instruments achieved the following contributions to 2020 results:

	Securities (EUR million)	Futures (EUR million)	Options (EUR million)	Currencies (EUR million)	Total (EUR million)
Income	92.4	-	506.4	830.0	1,428.8
Expenses	189.3	72.8	285.3	811.5	1,358.9
Result	**- 97.1**	**- 72.8**	**221.1**	**18.5**	**69.9**

In valuing the trading portfolio as of December 31, 2020, a **risk discount** (value-at-risk) was recognized in the amount of EUR 7.4 million (December 31, 2019: EUR 6.8 million). Despite the negative economic effects resulting from the COVID-19 pandemic and uncertainties among capital-market participants, price and interest-rate volatility of the respective financial instruments in the trading portfolio were comparatively low, particularly during the second half of 2020. Accordingly, despite the above-average increase in volume compared to the prior year, an additional valuation discount of only EUR 0.6 million was recognized against income from trading operations in 2020.

Above-average increase in other operating income

Other operating income in the amount of EUR 99.3 million (prior year: EUR 40.3 million) consisted primarily of income generated from the pass-through of expenses of EUR 63.6 million (prior year: EUR 10.4 million) to the sole shareholder that arose in the course of the CGME's continued client and business expansion. These expense pass-throughs comprise mainly transaction and stock-exchange fees as well as the costs of the Group's internal refinancing line to maintain appropriate liquidity. This item also includes income from charges passed on to other affiliated enterprises (EUR 14.3 million; prior year: EUR 17.4 million) which, among other things, also includes expenses incurred in connection with the business activities of the branches in France, Italy and Spain.

Increase of administrative expenses

Compared to the previous period, **administrative expenses** rose by EUR 31.4 million to a total of EUR 292.8 million. The increase in **personnel expenses** by approximately EUR 8.5 million to EUR 170 million was caused by a growth in staffing and by salary increases and adjusted bonus payments that were implemented in, among other offices, the branches in Paris, Milan and Madrid.

The increase in **other administrative expenses** by EUR 22.9 million to EUR 122.8 million is mainly attributable to the higher expenses associated with business expansion in 2020, including for IT services, fees and consulting services. In view of the expansion of trading activities undertaken in 2020, the costs of listing of derivative financial instruments on stock exchanges increased by EUR 6.9 million to EUR 20.2 million, transaction fees increased by EUR 4.7 Million to EUR 8.7 million, and custody fees increased by EUR 4.6 million to EUR 13.8 million.

Other expenses climbed

O**ther operating expenses** in the amount of EUR 22.9 million (2019: EUR 15.5 million) can be ascribed, *inter alia*, to depreciation, amortization and impairment write-downs on intangible assets and tangible assets (EUR 10.1 million; prior year: EUR 8.4 million), which includes scheduled amortization totaling EUR 9.1 million (prior year: EUR 7.6 million) applied to the goodwill identified in connection with the integration of the branches as consideration for the client relationships acquired. Other operating expenses in the amount of EUR 12.8 million (prior year: EUR 7.1 million) relate almost exclusively to net expenses in connection with accrued interest on the pension reserves and from the revaluation of the plan assets (EUR 11.6 million; prior year: EUR 4.1 million).

2.3.2 Financial condition

CGME refinances itself primarily within Citigroup. Cash and other financial assets are exclusively short-term.

In the recently completed fiscal year, CGME was in a position at all times to meet its payment obligations. Moreover, any and all liquidity requirements mandated by law were satisfied at all times. No significant capital expenditures are planned that could impair liquidity.

Under its new business model, CGME generally does not engage in maturity transformations.

As of December 31, 2020, the Tier 1 common capital ratio and the total capital ratio of CGME were each 21.98% (December 31, 2019: 26.5%). Thus, CGME continues to command a strong equity base.

Otherwise, we refer to the cashflow statement for fiscal year 2020.

2.3.3 Net assets

The **CGME assets** as of the balance sheet date (December 31, 2020) developed as follows compared to the previous year balance sheet:

Assets	Dec 31, 2020 (EUR million)	Dec 31, 2019 (EUR million)	Change (EUR million)
Receivables from banks	1,679.1	322.6	1,356.5
Receivables from clients	13,783.8	5,406.7	8,377.1
Trading portfolio assets	46,751.2	8,932.6	37,818.6
Equity investments	1.1	1.1	0.0
Trust assets	315.6	507.3	-191.7
Intangible assets	74.4	83.5	-9.1
Tangible assets	2.5	2.7	-0.2
Other assets	7,689.1	1,060.7	6,628.4
Prepaid and deferred items	1.1	0.7	0.4
Total	**70,298.0**	**16,317.9**	**53,980.1**

Liabilities and Equity Capital	Dec 31, 2020 (EUR million)	Dec 31, 2019 (EUR million)	Change (EUR million)
Liabilities owed to banks	235.9	76.3	159.6
Liabilities owed to clients	12,628.5	4,293.1	8,335.4
Trading portfolio liabilities	46,503.0	9,081.6	37,421.4
Trust liabilities	315.6	507.3	-191.7
Other liabilities	8,619.3	970.5	7,648.8
Accruals	145.9	108.0	37.9
Funds for general bank risks	28.3	28.3	0.0
Equity capital	1,821.5	1,252.8	571.9
Total	**70,298.0**	**16,317.9**	**53,980.1**

In light of the restructuring of Citigroup’s business activities in Europe that was also extended in 2020 due to BREXIT and the related ongoing expansion of CGME as a leading securities trading bank, the CGME assets as of December 31, 2020 saw above-average growth over the prior year. The business model associated with the operations of a securities trading bank includes mostly the service business with clients and the **trading business with financial instruments**. Accordingly, the trading portfolio **assets and liabilities** as of December 31, 2020 compared to the prior year increased by EUR 37.8 billion and EUR 37.4 billion, respectively, to EUR 46.8 billion and EUR 46.5 billion, respectively, and makes up approximately two-thirds of the balance sheet total. The financial instruments are primarily OTC interest-rate options denominated in euro and foreign currencies as well as equity warrants and index warrants issued by the Bank itself.

As of December 31, 2020, the **trading portfolios** compared to the prior year consist of the following:

Financial Instruments	Trading Portfolio Assets		Trading Portfolio Liabilities	
	Dec 31, 2020 (EUR million)	Dec 31, 2019 (EUR million)	Dec 31, 2020 (EUR million)	Dec 31, 2019 (EUR million)
Derivative financial instruments	**46,014.5**	**8,433.1**	**46,045.0**	**8,546.5**
of which:				
FX-induced trades	*2,762.0*	*1,549.8*	*2,763.5*	*1,549.1*
Own issue equity warrants	*4,820.1*	*3,134.0*	*5,223.1*	*3,327.2*
OTC stock and index options	*517.6*	*131.6*	*503.8*	*132.7*
Own issue index warrants	*1,680.0*	*1,669.4*	*1,715.9*	*1,683.2*
Exchange-traded equities and index option transactions	*343.8*	*145.3*	*20.0*	*53.1*
OTC interest rate options	*35,657.3*	*1,758.3*	*35,582.6*	*1,755.4*
Own issue commodities-warrants	*58.4*	*41.3*	*60.9*	*42.2*
OTC commodities options	*175.3*	*3.6*	*175.3*	*3.6*
Bonds and other fixed interest securities	**249.9**	**183.4**	**382.6**	**462.2**
Equities and other fixed-index securities	**494.2**	**322.9**	**73.4**	**71.1**
Subtotal	**46,758.6**	**8,939.4**	**46,501.0**	**9,079.8**
Market Value Adjustment	**-**	**-**	**2.0**	**1.9**
Value-at-Risk	- **7.4**	**- 6.8**	**-**	**-**
Total	**46,751.2**	**8,932.6**	**46,503.0**	**9,081.7**

OTC interest-rate options constitute the majority of the trading portfolios, making up EUR 35.7 billion or approx. 76% of the total assets and EUR 35.6 million or approx. 77% of the total liabilities.

In connection with valuing the trading portfolio, a **risk discount** (Value-at-Risk or "VaR") was applied in the amount of EUR 7.4 million (12/31/2019: EUR 6.8 million) as of December 31, 2020.

Approximately 20% of the balance sheet total as of the end of fiscal year 2020 – namely EUR 13,784 million (prior year: EUR 5,407 million) - is attributable to short-term **receivables from clients**, of which approximately EUR 7,286 million is ascribed to the broker-dealer business that CGME had acquired in its own name and for its own account and that it clears and settles in connection with back-to-back transactions. The **liabilities owed to clients** increased commensurately by EUR 8,335 million to EUR 12,629 million as of December 31, 2020.

Furthermore, a total of approx. EUR 4,513 million (prior year: approx. EUR 109 million) relates to short-term receivables generated from **securities repurchasing transactions** that were executed for liquidity management purposes (reverse repo transactions).

A significant component of the service business relates to the trading in derivative financial instruments, which the Bank executes in its own name but for the account of its clients (the so-called "**FCC Business**", which stands for "Futures, Clearing and Collateral Services"). As part of the process for settling transactions and to secure the trading in futures, the clients are required to provide collateral, which is collected by CGME and forwarded directly to the clearing houses that are contracted to handle the trade settlement. The contractual arrangements that were thereby made stipulate a certain segregation of client assets from the

CGME assets in an effort to specifically shield client assets from any third-party enforcement action that could be initiated in the event that the “asset-managing” CGME becomes the subject of an insolvency proceeding. The client assets are therefore held in trust. Accordingly, as of the end of fiscal year 2020, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 316 million (prior year: EUR 507 million).

Receivables from banks (EUR 1,679 million; prior year: EUR 322.6 million) relate primarily to receivables (EUR 1,131 million) in connection with the transaction volume expansion undertaken in the broker dealer business.

As in the prior year, **intangible assets** (EUR 74 million; prior year: EUR 84 million) consist almost exclusively of goodwill (EUR 74 million; prior year: EUR 83 million), which reflects in each case the client relationships that existed with the branches in Paris, Milan and Madrid and that CGME acquired it the beginning of 2019 as part of a capital increase in exchange for an in-kind capital contribution. Individual goodwill is being amortized on a scheduled basis over an average useful life of 10 years.

Compared with December 31, 2019, **other assets** increased by approximately EUR 6,628 million to a total of approximately EUR 7,689 million. The main cause for this development was the continued expansion of the CGME broker dealer business that was acquired in the recently completed fiscal year and the increase in the volume of collateral required in this connection (OTC transactions) and in the initial and variation margins. As of December 31, 2020, the volume totaled approximately EUR 7,634 million (prior year: approximately EUR 1,037 million). In addition, this balance sheet item also includes turnover and investment income withholding tax refunds totaling EUR 14 million (prior year: EUR 12 million).

Other liabilities (EUR 8,619 million; prior year: EUR 971 million) relate primarily to initial or variation margins received (EUR 8,604 million; prior year: EUR 934 million) in connection with the expansion of the broker dealer business at CGME.

Of the **accruals** totaling EUR 146 million (prior year: EUR 108 million) **provisions for pensions and similar obligations** account for a total of EUR 21 million (prior year: EUR 19 million). Total obligations of approximately EUR 285 million (prior year: approximately EUR 273 million) are secured by contractual trust agreements and protected assets administered in trust. The fair value of the plan assets totaled EUR 264 million as of December 31, 2020 (prior year: EUR 254 million) and was set off against the settlement amount of the obligations as of the balance sheet date.

Of the **other provisions** in the amount of EUR 103 million (prior year: EUR 83 million), a total of approximately EUR 82 million (prior year: approximately EUR 57 million) relates mainly to the bonus payments owed to employees.

Provisions for taxes (EUR 22 million; prior year: EUR 6 million) relate mainly to domestic and foreign income tax payments that are expected to be payable in respect of the past fiscal year.

As of December 31, 2020, the **equity capital** shown on the CGME balance sheet compared to the balance sheet date of the recently completed fiscal year increased by a total of EUR 569 million to EUR 1,822 million. This increase can be attributed mostly to additional payments that the sole shareholder, CGML, made into the equity capital account in the amount of approximately EUR 552 million pursuant to § 272 (2) no. 4 HGB. In an effort to further strengthen the equity capital base, the Executive Board is recommending that the annual surplus generated in the recently completed fiscal year and totaling approximately EUR 17 million be deposited into other earnings reserves.

Overall, we believe that the net assets as of December 31, 2020 are orderly and sound (*sind geordnet*), also in light of the good equity capital base.

3 Outlook and Opportunities

3.1 Outlook and Opportunities of the Business Divisions

3.1.1 General economic conditions

The performance of the economic, the financial and especially the capital markets is exposed to various risks. In our view, the economic outlook is characterized by major uncertainties. Among the reasons for this, in our view, are a protectionist economic policy, a less dynamic economy and the effects of the COVID-19 pandemic that hit the global economy hard last year. To what extent the upcoming coronavirus vaccinations will make a lasting contribution to the global economic recovery in 2021 cannot be conclusively evaluated at the present time. If anything, current expectations are muted. Nevertheless, a recovery in overall economic demand can be expected, especially in the second half of 2021.

However, individual economies have become more vulnerable due to persistently low interest rates and, in some cases, by inadequate reform and consolidation efforts. The economic stimulus programs initiated by many countries to contain the negative effects of the COVID-19 pandemic have also led to, among other things, higher levels of debt and lower public sector receipts in 2020. In addition, increasing corporate and personal bankruptcies, particularly in the travel and tourism, hotel and catering, and retail and wholesale sectors, cannot be ruled out.

We see persistently low interest rates as a key risk to the growth and performance of the financial and capital markets. Nevertheless, we project that high demand for financial instruments, including derivatives, also attributable to the COVID-19 pandemic, will continue into 2021.

Notwithstanding the foregoing, the political backsliding from European cohesion in the European Union now poses additional risks. The withdrawal of Great Britain from the European Union as well as the independence movements of certain countries in Central and Eastern Europe could adversely influence the economy of the European Economic Area.

3.1.2 Outlook and opportunities in the course of business

Economic and organizational parameters

Also in the recently completed fiscal year 2020, CGME’s business activities were once again continuously repositioned in accordance with the internal group business plan to operate on the “financial services institution” or “securities trading bank” business model. The focus of this model was on, *inter alia*, equities, fixed income and FX products that had been tailored to the clients’ interests and could also be structured as spot or derivatives transaction.

During the course of 2020, the organizational and operational processes within CGME were further adapted so as to be able to fully satisfy legal and regulatory requirements, among other things. In view of the balance sheet total, which has now increased to over EUR 70 billion, CGME will meet the definition of a so-called “CRR investment firm” and thus be subject to the supervision of the European Central Bank. In light of this consideration, CGME began preparing for the implementation of measures in 2020 and performed a GAP analysis in order to be able to make any necessary adjustments to fully meet the changed regulatory requirements as quickly as possible and with additional employees.

In this context, the role of a so-called “Regulatory Liaison Officer” will be created in 2021 to coordinate communications and cooperation with the supervisory authorities and to serve as their main point of contact.

CGME also plans to expand its core compliance activities in order to take sufficient account of the increasing substantive, legal and regulatory requirements for an appropriate compliance system. This applies to, among other things, outsourced compliance activities, selected trading activities, and new or expanded business areas, such as those in the “BCMA” and “MSS” business segments.

As part of the continuing implementation of CGME's outsourcing strategy, we plan to establish “Client Service Centers” (CSCs) at a representative office in Belfast, Northern Ireland, in 2021 to showcase the range of services offered by the MSS Division.

Economic forecasts and financial performance indicators

Based on the previous budget, **income** totaling approximately EUR 431 million and expenses in the amount of approximately EUR 347 million are projected to yield a positive EBT of approximately EUR 85 million. The expansion of business activities in the “MSS” business segment specifically with regard to the products and product segments “Equity Cash”, “Futures”, “G10 Rates” and “Global Markets Finance” are expected to be key growth indicators. In this regard, it may be assumed that interest expenses for collateral, which is held for third-party clients for OTC and exchange-traded derivatives, should in part offset the positive earnings development.

The “BCMA” business segment is likewise expected to produce favorable business development, specifically in “ECM” and “M&A” area, after the COVID-19 pandemic effects ebb.

For the financial performance indicator, “**Operating Efficiency**”, the goal is 80%. In the two subsequent years, the goal is to further improve EBT up to EUR 110 million and the “Operating Efficiency” up to 77%.

CGME's **liquidity situation** continues to be subject to the requirements of the BaFin Liquidity Regulation (LiqV). The basis of the regulation continues to be the internally defined stress scenarios based on a 30-day and a one-year horizon. In consideration of its business model, CGME will in the future continue to hold highly liquid assets that are generally earmarked. In addition, future liquidity levels will be determined by the initial margins and variation margins paid or payable for certain financial instruments.

The **core capital ratio** (Common Equity Tier 1 (CET1) Ratio) is expected to be 16.2%.

With the continued expansion of the business, the **staff numbers** are projected to increase to just over 500 employees in 2021, with approximately 240 employees at the head office in Frankfurt am Main and 120 employees at the Paris branch office.

3.1.3 Markets and Securities Services (MSS)

Macroeconomic factors, such as global trade disputes and above all the effects of the COVID-19 pandemic, will continue to be seen as drivers influencing the business performance of the “Markets and Securities Services” Division. The low interest-rate environment has become even more entrenched due to the effects of the COVID-19 pandemic, and there is currently no end in sight for this environment. It will continue to produce high liquidity and low margins on the capital markets and in the client portfolios. At the same time, the effects of the COVID-19 pandemic on our clients’ corporate balance sheets and credit portfolios will be negative. However, at this point in time, significant effects have already been priced in.

On a global political level, CGME expects the change in presidency in the United States to lead generally to an easing of trade tensions between the United States and its international trading partners on matters affecting the MSS sector. This is expected to have a positive effect on the capital markets and reduce uncertainties. At the same time, national central banks are signaling that they will continue their broad support of the economy and the markets by ensuring sufficient liquidity.

Markets and Securities Services will continue to be integrated and coordinated between the main office of CGME and its foreign branches in 2021 in order to offer clients in the European Economic Area a seamless service that makes use of synergy effects to the greatest extent possible.

In implementing the adjustments made necessary due to the consequences of BREXIT, there will be further changes, particularly in the areas of trading and risk management. While previous actions in response to BREXIT were characterized largely by assisting target clients with the needed “relocation (transfer)” to CGME, in 2021 market-price risks and counterparty risks, among others, in the sub-areas “equities” and “interest” as well as refinancing will no longer be initiated and managed exclusively within Citigroup or CGML, but rather also with other trading partners. For this purpose, a so-called “Day 2 Business Plan” was developed in consultation with the supervisory authorities, which is to be implemented over the course of 2021. In this respect, the staffing numbers at certain CGME locations will be reviewed, particularly at the

French branch office, because many of CGME's trading activities are executed at the Paris location. Trading in public listed products (warrants and certificates) will continued to be handled without change from the London location.

On the client side, we anticipate an increase in the transfer of existing derivatives portfolios from other UK-based Citigroup companies. The reason for these transfers is the desire of several key clients to carry out new business in derivative financial instruments (e.g., interest rate and credit derivatives) and, in this connection, to aggregate existing portfolios with new business into economic units. This is expected to deliver positive synergy effects in the areas of equity and collateral.

Once again in 2021 and in light of our clients' business situations, the “MSS” business segment is seeking to offer our clients a package of products and services tailored to their needs and to thereby leverage the global strengths of Citigroup's corporate network.

Likewise, the following goals remain in place: to gain additional market share in selected client segments, to build upon existing strengths and to become an indispensable partner in the identified target market.

3.1.4 Banking, Capital Markets & Advisory (BCMA)

In 2021, the BCMA Division will place greater emphasis in its client advisory operation on both nurturing existing clientele and extending its market shares in the “non-coverage” segment. On the sector side, the focus will remain on clients in the industrial, technology and real estate sectors and on private equity firms.

In the business fields of Capital Markets and Advisory, the recovery of market activities is expected to continue in 2021 after the presumed peak of the COVID-19 pandemic in the first half of 2020. This favorable trend was already observed in increased market activities, especially in the business fields of M&A and ECM at the beginning of 2021. In the DCM subsegment, we anticipate market activities overall to remain at 2020 levels or possibly to decline only slightly, based on the assumption that, in our opinion, the COVID-19 pandemic will not trigger any further wave of financing. We therefore see the possibility that the current market situation can have a positive effect on CGME's commission income. However, there is still the risk that virus mutations (variants) could lead to further economic constraints, which in turn could cause a slowdown in the economic recovery in Europe, resulting in growing uncertainty in the capital markets. This, in turn, could have a negative impact on market activities and also on CGME's commission income. In order to maintain our market position in episodic business and also to gain market share, we are currently continuing with our present strategy of intensifying consulting activities for private-equity firms, technology companies and the real estate sector.

Key features in this market environment, which will likely remain unchanged, are a high degree of competition from domestic and international banks and from niche providers, which could create some risks with regard to CGME's market share. Thus, a close and well-coordinated interaction between all Citigroup products or product partners to acquire greater market share will be of fundamental importance. The global presence of Citigroup and its related ability to provide local expertise afford the Bank opportunities to set itself apart.

3.2 General statement about anticipated performance

In light of the significant expansion of business volume being planned and the related infusion of (regulatory) equity capital during the course of 2021, the capital adequacy has been fully ensured.

By virtue of the additional growth of our market share in the MSS and BCMA business areas and the initiation of the “Independent Research” business field, efforts are being made again in 2021 to continue developing CGME into one of the leading securities trading banks. For 2021 and the two years thereafter, we continue to expect a positive annual result and a steadily improving “Operating Efficiency”.

We would note, however, that due to the COVID-19 pandemic, which is expected to continue in 2021, the ensuing macroeconomic effects, which could be accompanied by a recession, may have adverse consequences on CGME's earnings. Above all, the uncertainties that could conceivably emerge on the financial and capital markets and the price fluctuations or volatilities for certain financial instruments as well as the deteriorating general conditions for global production and service companies could have an adverse effect on CGME's business development in 2020. At the moment, however, there are still no reliable insights indicating that the current budget's quantitative targets for 2021 cannot be achieved in a sustained manner.

CGME has been closely tracking the effects of the COVID-19 pandemic, including the accelerating emergence of virus variants (mutations) and the measures taken to contain the virus and its mutations, and continues to evaluate and assess in a very detailed and timely manner the potential effects on CGME and its affiliated enterprises. In light of these great uncertainties and consequences that are presently definitively foreseeable, any reliable statements about the overall earnings development at CGME would be currently saddled with a high degree of imponderability or uncertainty.

4 Risk Report

4.1 General Principal of our Risk Management

The focus of our business operation as a securities trading bank, which has a central core competency in this area of business, is the ability to correctly assess and purposefully manage the risks that are related thereto. The management of the risks in all relevant aspects is therefore an essential factor for the sustained business success of our bank. This requires an implemented, highly-developed risk management system that is continually updated to accord with, among other things, the extensive regulatory requirements in risk management. In the recently completed fiscal year 2019, we therefore further upgraded our procedure for identifying, measuring, limiting and managing the risks related to our business operation. In this connection and among other measures, the implementation of the guidelines of the Federal Financial Supervisory Authority ("BaFin") regarding the Internal Capital Adequacy Assessment Processes (ICAAP) – Update, was further substantiated. Moreover, the process for identifying risk and assessing significant risks was updated, and the global approach was adjusted inasmuch as this was possible in accordance with local regulatory requirements and the CGME-specific business model.

4.2 Organization of the Risk Management

The overall responsibility for risk management and risk monitoring lies with the plenary Executive Board and with the Supervisory Board of CGME. Individual competencies at the organizational unit levels are shown below:

Overall Responsibility Executive Board and Supervisory Board of CGME		
Type of Risk	**Risk Management**	**Risk Monitoring**
Market risks	Asset Liability Committee and Trading Desks	Risk Controlling
Liquidity risks	Asset Liability Committee and Corporate Treasury	Risk Controlling and Corporate Treasury
Counterparty risks	Asset Liability Committee and Trading Desks	Risk Controlling
Operational risks	Divisions responsible for process	Risk Controlling
Business and strategic risks	Business Strategy and Risk Strategy	Risk Controlling
Miscellaneous risks (specifically "pension risks" and "reputation risks")	Business Strategy and Risk Strategy	Risk Controlling
Process-independent monitoring through internal audits of CGME		

The Executive Board determines the business and risk strategy and defines the general conditions in a so-called "Risk Appetite Statement" ("RAS"). On the basis of the "risk appetite", CGME's maximum risk exposure is thereby described, according to which a permanent continuation of business operations is not endangered even if the risks manifest.

Analogously to the global approach, CGME uses the so-called "Three Lines of Defense Model" to identify, assess and control risks. For the respective business unit ("First Line of Defense"), the RAS provides the framework for the independent and responsible management of existing risks. The Risk - Controlling Division ("Second Line of Defense") regularly determines the quantitative utilization of the defined risk limits and provides reports thereon. In addition, the Internal Auditing Department at CGME ("Third Line of Defense") regularly reviews the organizational structures and procedures and risk-related processes, including the implementation of the RAS, and assesses their appropriateness. Furthermore, the internal workflow processes of CGME ensure that Compliance gets brought in on compliance-relevant issues. The RAS also provides qualitative guardrails, the compliance with which must be monitored by the respective functions responsible for the process and by the business units of the First Line of Defense. Compliance with such requirements, as determined by the CGME Executive Board, is administered through the Manager Control Assessment Process ("MCA").

In connection with the risk management, the following committees have been formed:

Committee	Key Tasks	Membership
Business Risk, Compliance and Control Committee (BRCC)	• Evaluation of, and reporting on, overall risk situation of o CGME o CNA Branch, Frankfurt am Main o CKG as well as o CEP Branch, Frankfurt am Main • Control Committee for the 2nd Line of Defense	• Members of the Executive Board • Representatives of the operational departments at CGME (e.g., Finance, Risk Controlling, Legal, Compliance) • Internal Auditing Department • General manager of the branches of CNA and CEP in Frankfurt am Main as well as CKG
Asset Liability Committee (ALCO)	• Ongoing monitoring of the liquidity and market price risks as well as the financing situation	• Members of the Executive Board • Risk Controlling • Corporate Treasury
Executive Board	• Evaluation of, and reporting on, the overall risk situation while factoring in all significant risk categories • Approval of all strategic analyses and documents (e.g., business and risk strategy, RAS, ICAAP)	• Members of the Executive Board
Model Control and Review Committee (EMCRC)	• Evaluation of the adequacy of the IMM model	• Chief Risk Officer • Chief Financial Officer • Additional functions within Risk and Finance
Internal Model Control Committee (IMACC)	• Evaluation of the adequacy of the IMA model	• Chief Risk Officer • Chief Financial Officer • Additional functions within Risk and Finance

As a member of the Executive Board, the Chief Risk Officer ("CRO") is actively involved in the process of approving the risk policy guidelines established by the Executive Board for the identifiable risks and is furthermore responsible of the implementation thereof. The Operational Risk Manager routinely reports to the CRO and to the Business Risk, Compliance and Control Committee ("BRCC") about the controls over and findings about the risk situation, particularly the operational risks, at CGME. The meetings of the BRCC are held regularly on a quarterly basis. The CRO also reports to the Supervisory Board during the regular quarterly meetings of the committees and, if necessary, when special situations arise.

The reporting is based on internal rules that were enacted in accordance with local regulatory requirements on the reporting systems of a bank (see Special Part 3 of the MaRisk).

4.3 Risk Definition and Risk Strategy

CGME defines **risk** as potential future developments or events that could lead to a deviation in the forecasts or objectives that is negative for CGME.

Risk management generally distinguishes between **quantitative and qualitative types of risk**. Quantitative risks regularly include, *inter alia*, the counterparty credit risk (counterparty risk), the market price risk and the liquidity risk, which can be assessed regularly and, if necessary, with the aid of appropriate measurement methods. The so-called qualitative risks can be quantifiable (e.g. ,operational risks). In addition, there are qualitative risks for which an objective assessment is not possible (e.g., reputation risk or strategic risk).

The business strategy established by the Executive Board and approved by the Supervisory Board frames the risk management. Building thereon and taking into account in CGME's risk-bearing capacity (capital adequacy), the overall risk strategy including individual strategies are established for the risk management of key identified types of risks. In this regard, the strategies are based on the principle of ensuring a professional and diligent handling of the existing risks in all business and function areas. To implement the strategies and unconditionally guarantee CGME's capital adequacy, corresponding risk management and risk controlling processes were implemented.

The **RAS** stipulated the so-called "risk appetite" as the maximum risk that CGME is willing and able to assume in the pursuit of its business objectives without exposing itself to existential risks. The main idea here is to ensure reasonable liquidity and equity capital resources at CGME. The RAS should therefore be seen as an integral component of CGME's strategic process that is intended to support the Executive Board in guiding CGME's risk appetite to ensure that CGME is protected against taking on an excessive risk appetite.

The RAS documents the risk management concept implemented by CGME for purposes of creating a forward-looking process that defines expectations for the consolidated risk profile at CGME that are linked to the bank's general business strategy and its essential resources like capital and liquidity. Key elements of the overall process emerge from the regular risk identification and evaluation process, which is performed in accordance with the requirements pursuant to General Part 2.2 of the MaRisk, This process represents the basis for the CGME risk strategy, including the assessment of the capital adequacy, and a three-year capital projection.

The maximum risk or "risk appetite" is defined in the form of a quantitative thresholds and qualitative parameters and is documented in the RAS. In this regard, the "risk appetite" does not describe the desired risk level, but instead defines a framework of reasonable limits that are established and approved by the Executive Board. Transactions and/or business decisions must therefore satisfy all components of the "risk appetite framework".

The overall risk strategy and the individual strategies developed therefrom for the significant types of risk are reviewed at least once each year. Each member of the Executive Board may request a review on an *ad hoc* basis. Furthermore, the capital adequacy is also verified at least once each year. This verification also includes a review of the suitability of the risk measuring methods, the processes and the individual risk limits (suitability of the capital buffer as set by the Executive Board).

Where limit transgressions are threatened, CGME has instituted escalation and decision-making procedures. The "Risk Controlling" Division takes actions to ensure a timely and independent risk report is filed with the Executive Board and with the constituted "BRCC" and "ALCO" committees. Furthermore, topics that arise in connection with the use of the IMA model or the IMM model will be escalated *via* the implemented bodies and committees (IMACC and EMCRC).

Another key component of CGME's strategy processes is the implemented internal control system (IKS). The control measures, which have been instituted here, are described in the documented rules for individual procedures of each respective department and division. The internal controls are upstream, equal or downstream of the individual work procedures. The IKS therefore encompasses the entirety of all control measures and seeks to ensure specified qualitative and quantitative standards, including legal and regulatory requirements and compliance with the defined risk limits.

4.4 Risk-Bearing Capacity (Capital Adequacy) and Risk Limitation

Economic capital planning

The **risk-bearing capacity** (i.e., capital adequacy) represents one of the most important determining factors for structuring the risk management. In this regard, one core component of a reasonable and effective risk management system is the evaluation of internal bank processes for ensuring capital adequacy (“Internal Capital Adequacy Assessment Process”; “ICAAP”). To ensure capital adequacy at all times, CGME pursues a dual-control approach. The risk management in the calculation of the economic capital is based the approach, which ensures that risk positions are assumed only to the extent that the long-term continued operation of the Bank can be guaranteed, even if the existing risks should in fact fully materialize and lead to economic detriment. During the economic capital calculation, the primary concern is to identify and quantify those risks that are not captured by the normative capital calculation (formally Pillar I) in order to protect the long-term safety of the company’s inherent value. The economic capital calculations are based primarily on a confidence level of 99.9%, although justified exceptions are permissible.

Under this approach, the risk coverage potential is established on the basis of the balance sheet and income statement items, which are prepared in accordance with the provisions of German commercial law and are simultaneously the fundamental elements of the regulatory equity capital. In this regard, the equity capital is recognized as risk coverage potential up to the amount that would be available to offset any potential or incurred losses without thereby violating the minimum requirements under the Capital Requirement Regulation (CRR). In view of the capital planning requirements under the Supervisory Review and Evaluation Process (SREP), which is based on the regulatory capital, a period of three years is assumed.

CGME has identified:

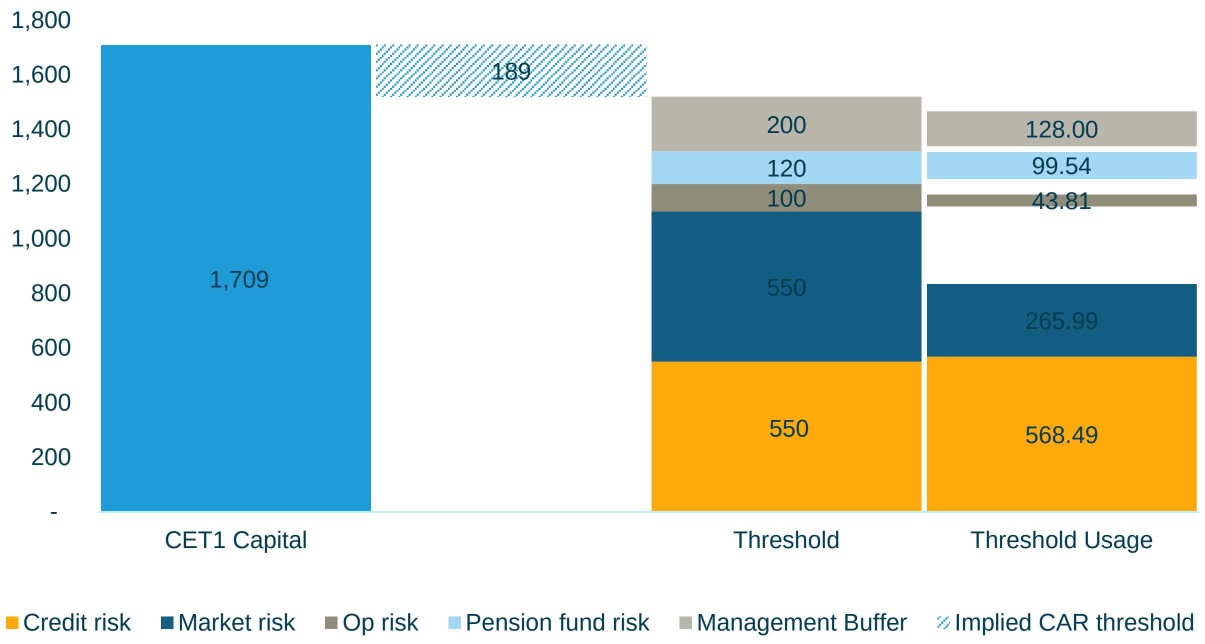
- the concentration risks on counter-party risks
- the CCP membership risks
- the operational risks
- the risks from pension funds and
- the risks from reputation risk and strategic risks as stress simulation for setting the capital buffer

as significant economic risks that must be covered by equity capital in addition to the normative approach. The basis for the foregoing is a risk inventory (risk assessment) carried out on a regular basis and as part of procedurally developing the ICAAP concept.

The risk-bearing capacity concept does not qualify as “significant” so-called liquidity risk, because conceptually no economic capital requirement can be derived from that risk. The appropriate monitoring of the liquidity risk is guaranteed at all times on the basis of the implemented control system and through regular controls performed by the Asset and Liability Committee.

The significant risks are quantified on the basis of statistical methods (models) or with the help of expert assessments. Calculations are supplemented through regular stress simulations for all significant and quantifiable risk categories.

As of December 31, 2020, the risk coverage potential (Tier 1) totaled EUR 1,709 million, which can be broken out as follows in accordance with the regulatory requirements and the capital buffer set by the Executive Board:



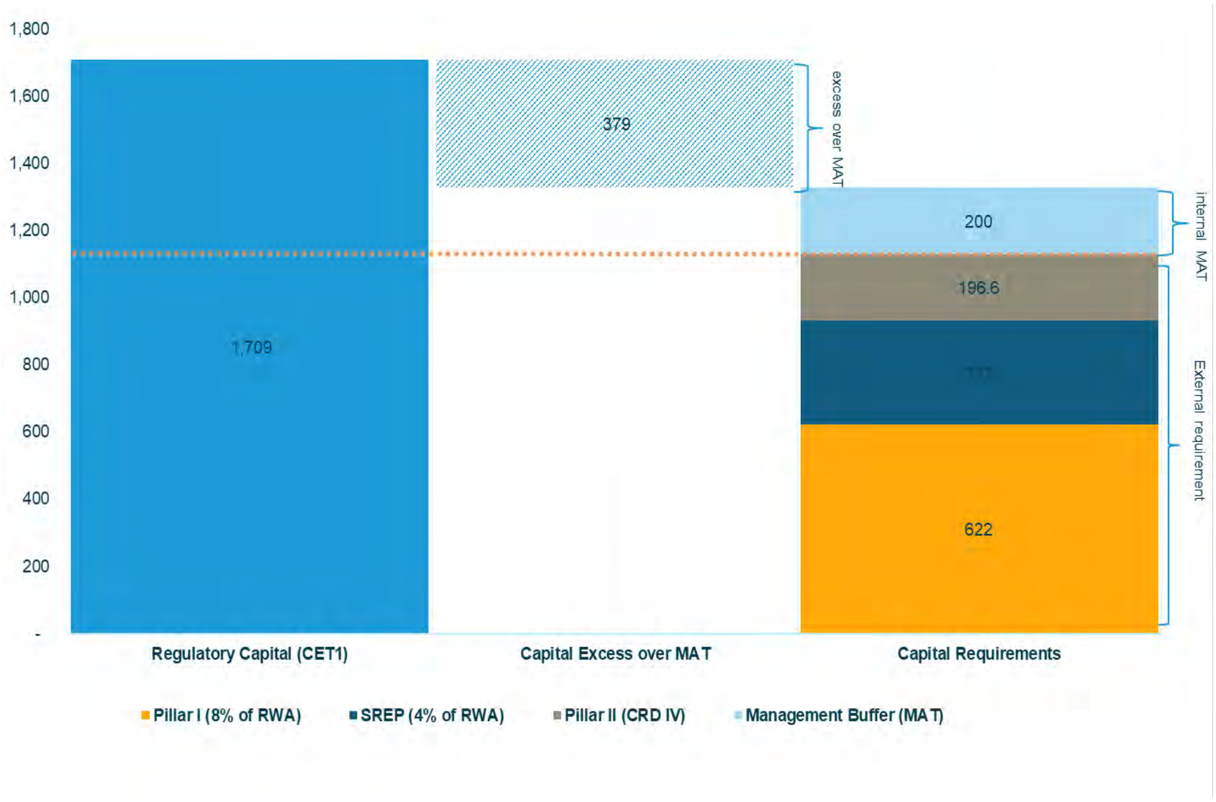
The Executive Board decided in 2020 to maintain the management capital buffer unchanged at EUR 200 million. The size of the management capital buffer is determined on the basis of stress test simulations of strategic risk and the reputational risk, as well as a volatility calculation of risk-weighted assets. In the past year, capital increases were implemented in order to cover higher capital requirements resulting from the preparations for BREXIT. Overall, equity risk coverage was adequate in order to be able to meet the capital adequacy requirements. Of the total available equity of EUR 1,709 million, a total of EUR 1,520 million was determined as risk appetite at year-end 2020, of which EUR 1,105.8 million was utilized. This corresponds to a utilization rate of 72.8% of the specified threshold.

The **risk-bearing capacity** (**capital adequacy**), which is calculated monthly under the ICAAP variance analysis, was guaranteed at all times during the 2020 fiscal year, and CGME had an adequate risk capital buffer. The capital projection carried out as part of the annual risk strategy process also revealed that the economic and normative capital adequacy will remain in place at all times upon taking into account the targeted business development and the demands in the strategy process specified under the MaRisk.

Normative capital planning

In the context of normative capital management in the base scenario, the requirements for compliance with regulatory key figures were met for the entirety of 2020. In addition to planning, a quarterly review of the planning assumptions and the actual risk development was undertaken as part of the ICAAP variance analysis and reported to the Executive Board in accordance with § 25 of the German Banking Act (“KWG”). In addition to the pure capital requirements, the required regulatory key figures such as the leverage ratio and large exposure limits were complied with and monitored. Normative capital management takes into account business performance over a period of three years, and requires constant compliance with and monitoring of all regulatory key figures. Requirements extending beyond Pillar 1 are taken into account in the economic analysis.

From the normative perspective, the risk strategy and regulatory requirements were compliant as of December 31, 2020. At the end of the year, the equity base was in an adequate range, registering a capital surplus of EUR 579 million with a CET1 capitalization of EUR 1,709 million and a resulting CET1 ratio of 21.98%. With respect to the regulatory capital adequacy requirements, the Bank complied with an SREP buffer of 4% on each reference date last year. Additional capital ratios, such as the leverage ratio at 3.86%, were satisfied in addition to regulatory requirements, including the internal so-called management buffer of EUR 200 million.



4.5 Risk Types and Risk Identification and Management

4.5.1 General information

In connection with the risk assessment inventory performed each year, the following significant risks were identified against the backdrop of the CGME business model:

- Credit risk (counterparty credit risk and issuer risk);
- Market risk;
- Liquidity risk (no quantification in the sense of an economic capital requirement);
- Operational risk;
- Compliance Risk:
- Strategic Risk;
- Reputation risk and
- Pension fund risk

Pension fund risk is a risk that is independent of the actual business operation in connection with investments that are made in shares of contractual funds that serve as compensating balances (*Deckungsguthaben*) for the CGME pension obligations owed to its employees (pension fund risk). The economic risk is considered significant and should therefore be taken into account when calculating the risk-bearing capacity (capital adequacy).

Additional risks, which are determined as a sub-function of the significant risk categories listed above, are monitored in separate management committees. These risks include, but are not limited to, sustainability risks, technology risks, cyber risks and model risks.

4.5.2 Counterparty and credit risks

The CGME business activity results in the following significant, client-related counterparty risks. These risks are sub-categories of credit risks for which dedicated monitoring and control processes were implemented:

- Issuer risk (stocks and bonds)
- Counterparty risk, including. risk concentrations
- Country risk.

In addition, there are counterparty risks related to the ongoing business activities with the Citigroup companies.

The prevailing principle for structuring the processes in the CGME business activities that entail counterparty risks is a clear segregation between the front office (market-facing) and the back-office up to and including the Executive Board level. The back-office tasks are handled by the independent divisions, Operations and Risk Controlling. The Risk Controlling Division continually monitors whether the lines of credit granted to the clients, including the counterparty limits for trading as well as the issuer risks, are being observed. The monitoring is performed by a division operating independently of the front office (Trading, Banking.

The tasks and responsibilities for the work procedures are stipulated in the form of organizational directives. Clearly defined processes have been implemented for required adjustments.

The trading desks, which are defined according to product specifications, are responsible for the risk management and the conclusion of trades containing counterparty risks. The control and the verification of trading transactions with counterparties and the settlement of the trades are the responsibility of the "Operations" Division. This Division also reviews the market fairness for the executed trades.

For the purposes of evaluating the counterparty credit risk, all counterparties or issuers in trading transactions are subject to a rating through an independent credit risk analysis, either on a regular cycle or based on an event. The rating is an important indicator for defining the counterparty or issuer-related limits.

The discussions and descriptions below relate primarily to issuer and counterparty risks.

The Bank defines limits for various credit types according to the relevant counterparties who are assigned to a class of debtors under § 19 (2) of the German Banking Act (KWG). These limits are approved by the competent decision-makers.

Reports on the different counterparty and issuer risks are generated by the system and analyzed on a daily basis. In the event limit breaches are identified, the responsible trader and the head of the trading department must be informed without undue delay. The Executive Board will also be informed about these facts as part of the regular reporting and will be advised about the applicable thresholds.

As of the end of fiscal year 2020, CGME's total pre-settlement exposure limits (PSE limits) totaled USD 21,927 million, (approx. EUR 17,869)[19], and existed *vis-à-vis* a total of 407 counterparties. Of that amount, a total of approximately USD 4,353 million (approx. EUR 3,547 million) were utilized. The limit utilizations in the recently completed fiscal year rose substantially inasmuch as client positions had been increasingly booked with CGME in the run-up to preparing for BREXIT.

Broken down according to rating classes, the counterparty credit risk (counterparty risk and credit exposure) to which CGME was exposed as of the end of December 2020 can be shown as follows in terms of the utilizations:

[19] USD 1.00 = EUR 0.8149

FRR	Dec-19	Sep-20	Nov-20	Dec-20
1	218	377	777	574
2	937	799	1,268	2,148
3	235	384	481	1,060
4	329	466	1,028	588
5	16	117	231	240
6	2	11	8	10
7	6	2	6	4
8	0	0	0	0
9	0	0	0	0
10	0	0	0	0
Unrated	15	195	717	117
Total	1,758	2,351	4,515	4,741

Weighted Avg FRR	4+	4	4	4

The majority of utilizations (representing a share of approx. 92%) is thereby ascribed to rating classes 1 through 4.

To reduce the credit risks among the counterparties and the issuer risks in trading, master agreements for financial futures[20] and for securities repurchase agreements (repos) are generally used that provide reciprocal “netting agreements” intended to lower the counterparty credit risks. The master agreements used by CGME for financial futures transactions contain netting or setoff agreements at the individual trade levels (so-called “payment netting”) and where all individual trades are terminated under a master agreement (so-called “close-out netting”).

In general, all master contracts are subject to the principle of the unified / standard contract (*Prinzip des einheitlichen Vertrages*). In the event of a termination, the offsetting receivables are netted and only the receivable’s credit balance resulting from the netting may be enforced against the defaulting contractual party. The prerequisite for this process to proceed is that the receivable (claim) must be valid and enforceable and that the respective jurisdictions recognize the principle of the unified / standard contract, thereby protecting the claims against seizure by an insolvency administrator that might otherwise pose a risk.

The “close-out netting” might also be exposed to (international) legal risks. These risks are addressed by obtaining legal opinions.

CGME settles security repurchase agreements both bilaterally and *via* EUREX Clearing AG, acting as a central counterparty. With regard to securities repo transactions, the “payment and delivery netting” is performed in reliance on the respective counterparty. The counterparty risk is also mitigated by settling derivative transactions *via* central counterparties such as EUREX Clearing AG and LCH Clearnet Ltd.

On derivative transactions, only cash collateral is accepted and is normally transferred on the basis of the relevant contractual agreements. For repo transactions, collateral in the form of securities is made available.

The risk management also entails the assessment and monitoring of country risks. We understand this risk to mean the default risk of a government or a sovereign body and the danger that a counterparty, who is willing and able to make payment, will be unable to meet its payment obligations as a result of governmental action (transfer risk). Country risks are managed across divisions on the basis of the country limits identified as a result of the country risk assessment.

[20] The master contracts for financial futures also include the master contracts published by the International Swaps and Derivatives Association Inc (ISDA) (the so-called “ISDA Master Agreement”). These agreements are standard contracts that, *inter alia*, have also been recommended for use by the leading associations of German banks (such as the BdB).

Moreover, the Bank launched a comprehensive tool for quantifying the risk concentrations related to counterparty default risks and for implementing them in the reporting system. Above all, the concentration risk is backed-up and supported with economic equity resources.

4.5.3 Market price risks

For the most important types of trading transactions offered by CGME, the following **market (price) risks** were identified:

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedges
- Issuance and trade in investment certificates in equities, commodities and foreign exchange as well as the corresponding hedges
- Repos and reverse repos with group companies (refinancing)
- Fixed income finance

With regard to this set of risks, corresponding risks exist for the following market prices:

- Stock prices (e.g., stock price risks)
- Interest rates (e.g., interest change risks, yield curve risks, option risks)
- Commodity prices, and
- Exchange rates (e.g., risks based on a change in the spot or forward exchange rates).

Risk concentrations exist generally in the warrants trading area, inasmuch as the significant risks arise from the “equity warrants” products, whereas there are considerably lower risks associated with the “foreign exchange warrants” and “commodity warrants”.

In order to assess the risk position in the Trading Division, all individual transactions are marked to market on a daily basis. The prices underlying the valuation are obtained directly from independent external sources or in connection with using valuation models. The market parameters used in this process are either transferred automatically to the valuation system or are compiled manually by the traders. The market parameters are fastidiously checked by the market surveillance office by comparing them with independent external sources. Based on these data, the current market values and the daily gains and losses are assessed independently from the trading function.

The risk exposures in the trading books are quantified daily. This is carried out by means of **factor sensitivity analyses** that evaluate all trade transactions both in terms of their price-relevant market factors (foreign exchange, equity and equity index spot prices, yield curves and interest rate volatility, currencies, commodities) and in terms of the changes in value that would occur when there is a standardized market movement. Such analysis provides an overview on the risk profile of the individual trading portfolios and the trading portfolio as a whole.

In addition, we quantify the loss potential of each market factor and calculate the “**value at risk**” (“VaR”), taking into account the correlation between the market factors. The VaR approach has established itself as the authoritative method for assessing economic market risks. The VaR reflects the maximum loss to be expected from a trading book during a certain holding period (e.g., 1 day) with a pre-set likelihood (e.g., a confidence level of 99%). The calculation also takes into account the specific risks of individual stocks (beta risk.

The VaR is calculated using a Monte Carlo simulation, which is carried out for all trading activities and is based on uniform valuation criteria. The volatilities of the individual market factors included in the calculation and their correlations are determined on an empirical basis.

The Group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day, and the quarterly "Risk not in VaR" analysis, which serves to identify and quantify those risks that are not covered by the model calculation.

Moreover, in order to stimulate extreme market changes, analyses of the stress tests are performed in regular intervals and, in specific situations, on an *ad hoc* basis.

For the individual trading books and the risk of an interest rate change in the non-trading book, limit structures have been established over which the Executive Board actively prescribes the risk tolerance for the individual trading books and the Bank as a whole.

For measuring the derivative trading activities, CGME is tied into the group-wide risk monitoring system. In this regard, that system presents all aggregate market price risks by products, currencies and markets and compares the risk exposures at the different levels to the relevant limits. The daily market risk reports, which are generated by the system and also highlight specific limit breaches, are provided to Risk Controlling each day by a department that is located in London and is responsible for that task. The trading-independent Risk Controlling function monitors compliance with the limits and the escalation of the Management Action Trigger on a daily basis. The aggregated reports are provided to the Executive Board and to the heads of the trading desks.

The development of the VaR in 2020 can be depicted as follows:

The VaR limit was set at USD 12 million in 2020 and continues to exhibit relatively low utilization. The sale of new trading products, which had been launched in light of the Bank's regional preparation for BREXIT, does not lead to any significant additional trading book positions because all transactions are fully hedged with other Group entities, the so-called "Risk Hubs". However, an exception here are sensitivities that are based on credit valuation adjustments (CVA), such as the credit spread risks. To monitor such risks, firm limits were introduced that are monitored and reported to management in the same manner as the risks specified above

The risk of interest rate or yield changes in the trading book, specifically with respect to short-term maturities and regularly executed hedges, is relatively low and largely the result of the yield sensitivity of reverse repo transactions that are executed for purposes of refinancing the lending business.

4.5.4 Liquidity risks

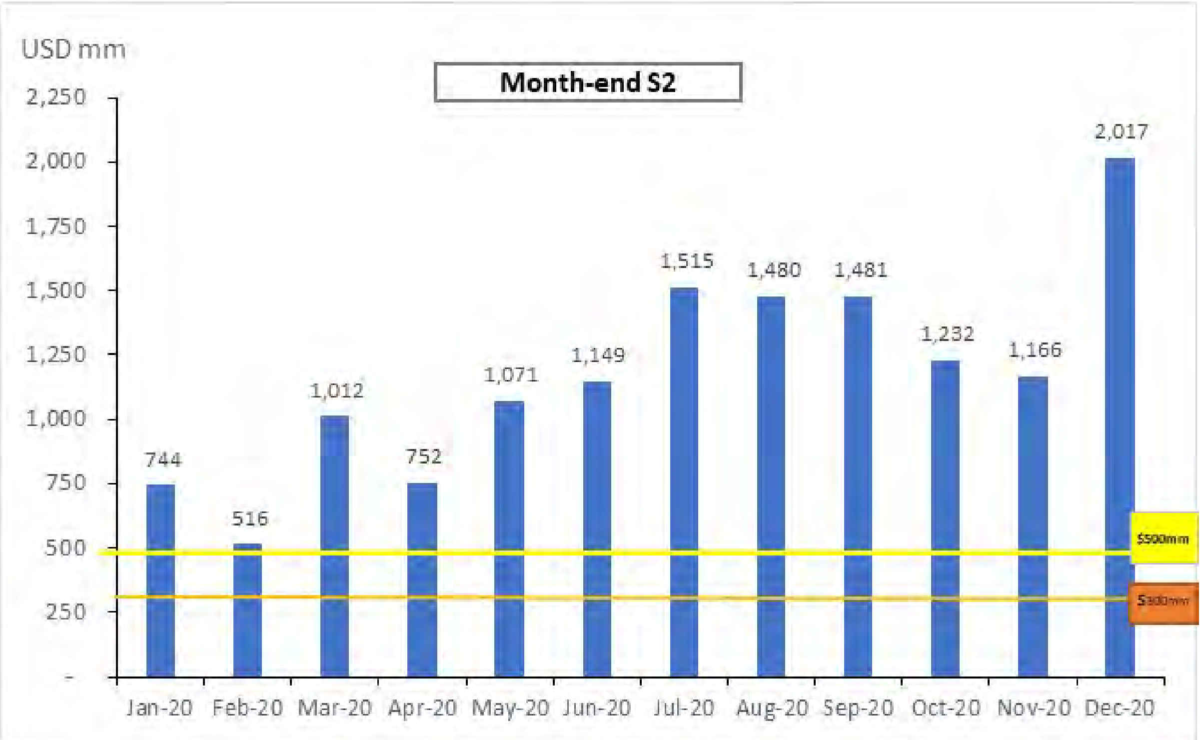
The liquidity risk is managed by the Corporate Treasury Division and seeks to ensure that future payment obligations can be met at any time with adequate liquid funds.

The risk monitoring and management are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario stress analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. The Risk Controlling Division monitors compliance with the limits on a daily basis. The Executive Board is regularly and seasonably provided a report about CGME's liquidity situation.

In addition, CGME has set up a liquidity reserve in order to absorb potential distortions on the capital markets and to fund any liquidity shortages that could result therefrom.

CGME reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the course of fiscal year 2020, no limit breaches (negative cash flow) were shown in the funding matrix.

Broken down into the individual maturity bands as of the end of fiscal year 2020, the respective cumulative cashflows of CGME can be shown below as follows:



The monitoring of liquidity risks is done on the basis of the early warning indicators and limits set forth below. In general, no negative cash flow is accepted.

Metric	Status	Range
S2	Above EWT	>=$500mm
	EWT	$500mm-$300mm
	MAT	$300-$0MM
	Breach	<$0mm

According to the table shown above, CGME has had adequate liquidity in all time bands of up to one year.

The Bank implemented a standby liquidity reserve (known as the “liquid asset buffer” or “LAB”) in order to be able to satisfy any sudden refinancing needs for the balance sheet.

The refinancing risk and the market liquidity risk are taken into account each day through appropriate limits and the monitoring thereof. The market liquidity risk, which results primarily from warrants and certificates trading, is monitored through issuer limits with regard to the instruments underlying the derivative products. In this respect, a 100% loss of the underlying is simulated (so-called “jump-to-default”).

In addition, CGME has structural and currently unused excess cash flow and adequate capital resources bridging results that have an adverse effect on liquidity.

4.5.5 Operational risks

Within CGME, operational risks are defined as the risk of incurring losses that are triggered by the unsuitability or the failure of internal procedures, persons and systems and/or caused by external events. Key elements or components of the risk management process involving operational risks are:

- regular implementation of a risk inventory on the basis of an estimate about the likelihood of occurrence and the anticipated risk expense for quantifying the operational risk
- self-assessment to determine indicators for any risk exposure within CGME’s organizational structures and procedures
- loss database for compiling relevant incidents and the documentation in processing the elimination of materializing potential losses (CitiRisk Loss Capture System). The loss database must record all loss events sustained starting at a volume of USD 20k as well as potential cases that have not yet materialized (“Near-Miss Events”) but would have an anticipated loss volume of USD 1,000k.

In light of the outsourcing of individual services and infrastructure measures, there is a risk concentration that is fully taken into account under the risk management by virtue of suitably institutionalized control processes.

The responsibility for the implementation measures with respect to managing the operational risks lies with the department heads or the business managers below the Executive Board level. These persons are responsible for creating, documenting and regularly updating all work directives and control procedures. The supervision of the operational risk and the reporting thereof is the responsibility of Operational Risk Management (“ORM”).

The tasks and responsibilities as well as the documentation are regulated under the applicable CGME policies. The Executive Board shall be informed in a reasonable manner about the aforementioned risks through daily, monthly and quarterly reports.

In order to record quantifiable risk findings, a database is used (Loss Capture System), which also serves as a basis for the reports to the Executive Board.

The operational risks in connection with the economic capital calculation are quantified through a statistical simulation that is fed by historical loss events.

Taking into account all business divisions and departments, CGME performs an extensive risk inventory on an annual basis in order to identify and assess existing operational risks using prescribed scenarios. In this regard, the likelihood of occurrence and the assumed loss potential serves as the primary criteria.

Outsourcing processes and internal and external services have increased the operational risk. CGME has developed a suitable infrastructure in order to be able to assess and monitor the potential risks resulting from outsourcing measures. In this way, the materiality of all outsourcing will be evaluated once each year by the competent Outsourcing Steering Committee upon considering numerous factors. Furthermore, it is the responsibility of all outsourcing managers to regularly review the quality of the services rendered.

Problems, which are thereby identified, must be reported to the Executive Board in a timely manner but, in any case, no later than as part of the monthly report.

Compliance risks are risks involving violations of regulatory requirements and rules that can negatively affect the Bank's profitability and stability. Compliance risks are also deemed to include adherence to ethical standards and internal guidelines. Because the causes and nature of these compliance risks are often identical to those of operational risks, the control and governance activities that have been implemented are essentially standardized. No significant violations occurred in the 2020 fiscal year.

4.5.6 Other significant risks

Pensions fund risks

CGME currently has holdings in three pension funds. However, the capital adequacy calculation lists only the risks connected with two contractual funds (*Sondervermögen*), for which CGME bears the risk of having to make subsequent capital contributions due to the return (yield) objectives that had been set. The risks result from yield-induced changes in the valuation of pension obligations due to interest rate fluctuations and the fluctuations in the value of fund assets.

The risk capital required to cover the risks is calculated on the basis of statistical models (variance-covariance matrices) and scenario analyses.

Currently, only one of the three pension funds listed above, for which pension obligations remain, is active. The investment strategy for this fund is set by an internal Pension Fund Investment Committee, whereby the actual management of the fund is the responsibility of an outside fund manager.

Reputation risks

The reputation risk can emanate from all other risks, it is handled separately from operational risk. For the aforementioned reason, reputation risks are monitored and managed implicitly by controlling all risk categories from which a reputation risk could arise. An explicit monitoring of the reputation risk is carried out by the "Legal" and "Corporate Communication" divisions because reputation risks could arise from complaints and litigation or negative press reports.

A quantification as contemplated under the risk capital concept is handled through an expert assessment. The calculated magnitude is derived from a pre-defined scenario for which the pricing of the issued products cannot be made over a period of three days. For the next 12 months, the Bank presumes a 10 percent drop in revenues. The result of this calculation is not assimilated directly into the risk capital concept; rather, it is used to determine the amount of the management capital buffer approved by the Executive Board. The management of the reputation risks is addressed primarily by the CGME Executive Board, which also decides on any action that may been needed.

In fiscal year 2020, there were no material effects identified on the basis of a reputation risk.

Strategic Risks

Strategic risks are primarily anticipated potential losses that threaten the profitability and capital strength of the Bank as a result of wrong business decisions. Strategic risks may be influenced by internal as well as external factors. The Bank has taken extensive measures to minimize the likelihood that strategic risks will manifest and to keep the economic effects of any such manifestations as low as possible.

Strategic risks are backed-up and supported with economic equity resources in connection with the setting the capital buffer under the risk capital concept.

Tax Risks

In connection with a currently still pending tax audit of CGME for the 2009 – 2019 tax assessment period, the tax authorities have taken the view that the investment income withholding tax resulting from the Bank's own holdings plus the solidarity surcharge for the years 2009 – 2011 cannot be fully credited. In this connection, an expert opinion was commissioned at the end of 2020. If, based on this expert opinion, a credit of the relevant amounts in investment income withholding tax plus the solidarity surcharge is (partially) denied by the tax authorities for the years 2009-2011, then potential tax repayment obligations will need to be discharged not by CGME but instead by the shareholder of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, which had been the predecessor company of CGME during the aforementioned audit period and with which an income tax-integrated group (*ertragsteuerliche Organschaft*) had existed. The companies involved here are the general partner, "Citigroup Global Markets Finance LLC, Delaware/USA", and the sole limited partner, "Citi Overseas Investments Bahamas Inc., Commonwealth of The Bahamas". Based on the information currently available, a claim against CGME is not expected. Accordingly, the tax risks for CGME are viewed as low.

Based on the findings from individual tax audits conducted at CGME's clients, the tax authorities are of the opinion that in connection with certain stock transactions executed with those clients, the investment income withholding tax (*Kapitalertragsteuer*), together the solidarity surcharge, which had been incurred on the dividend payments, had not been properly withheld from the clients (who were the primary debtors) and remitted to the authorities or that the relevant tax certificates had been incorrectly issued. The tax authorities believe that CGME should be subject to so-called "secondary liability", if the primary debtors are unable to meet their tax payment obligations. To that end, liability orders (*Haftungsbescheide*) were issued by the relevant tax offices against CGME for the period of 2015 through 2018, against which liability orders an appeal has been lodged and a motion to stay enforcement was filed.

At the end of 2019, a legal opinion was obtained to further clarify the facts and to legally analyze a claim against CGME based on secondary liability with respect to the investment income withholding tax amounts (plus solidarity surcharge) for dividends in the context of *cum-ex* trades. The legal opinion took the view that CGME would likely be successful in the judicial proceedings and would not be held secondarily liable and that any statutory provision prescribing strict liability for issuers of tax documentation would be held unconstitutional. There have been no new findings and no contrary legal opinions.

With respect to the foregoing, the tax risks are therefore projected as low because no (significant) back-tax payments are expected based on the information currently available.

Risks in connection with the branches

In 1st quarter of 2019 and in connection with a capital contribution-in-kind carried out at CGME by its sole shareholder, the assets and liabilities as well as the business relationships of the branches in Madrid, Milan and Paris were taken over. The counterparty credit risks, market price risks, liquidity risks and operational risks connected with the business operations at those branches are factored into the risk management and the assessment of CGME's capital adequacy. Pursuant to the business policy approach, no additional significant risks were generated by the branches in terms of the implemented "back-to-back model".

4.6 Summary Description of the Risk Situation

CGME has a system, customary in the industry, that identifies, assesses and monitors all significant risks and that meets the related requirements under the MaRisk.

CGME holds adequate liquidity and capital resources to suitably cover all of the identified aforementioned risks and to be able at all times to support sustained business development. Under each of these scenarios, this also applies to the implemented stress test. In fiscal year 2020, the regulatory equity capital requirements were met at all times and the risk coverage potential in connection with the economic capital requirement was adequate at all times during the fiscal year in order to support the risk profile resulting from the Bank’s business activity.

The rapid spread of the coronavirus and the emergency measures, which were taken by many countries to contain the pandemic, created significant volatility on the financial markets. The global economy was also adversely affected on a continuing basis by the consequences of the Corona crisis in fiscal year 2020.

CGME reacted in the 2020 fiscal year and added regular pandemic stress tests to its stress test concept. The stress test evaluates the economic resilience of important risk portfolios and the results are communicated in reports to management. In addition, the Bank has defined a dedicated COVID-19 stress as an idiosyncratic stress test and applied it as part of the 3-year capital plan. Even under such a scenario, the Bank would be able to comply with regulatory capital adequacy requirements at all times.

The measures taken in the context of the Brexit preparations also resulted in the Bank's risk profile having changed substantially in the 2020 fiscal year. Essentially, counterparty risks and the resulting capital and liquidity drawdowns have increased significantly due to the addition of new client relationships. This process was supported by appropriate capital measures in order to guarantee the Bank's capital base at all times, as described above.

In this context, the Bank will continue to find itself in a dynamically growing environment for fiscal year 2021.

5 Accounting-based Internal Control System

Accounting-based Internal Control System

Under the group-wide policy - “Accounting Policy Manual” (APM) – CGME’s accounting is performed in accordance with US GAAP. In the local accounts, all material account developments and changes in the individual items on the balance sheet and income statement are analyzed as of the relevant reporting dates.

In order to prepare the annual financial statements under the German Commercial Code (HGB) and/or the German Regulation on Financial Institution Accounting (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* or “RechKredV”), all of the account balances of CGME are transmitted from CGME's general ledger into a separate database. Within this system, the necessary allotments, reclassifications and adjustment book entries that must be reported on the income statement pursuant to commercial law are thereupon performed in compliance with the so-called “four-eyes principle”. The basis is CGME’s HGB Accounting Handbook which contains a systematic analysis of the discrepancies to the APM. This procedure falls within the purview of the local Financial Control department which, within the organization, reports directly to the Executive Board member responsible for the Finance, Treasury and Tax divisions.

The notes are likewise prepared by the Financial Control Department under the “four-eyes principle”. The basis for this is the balance sheet prepared in accordance with the commercial law principals as well as the income statement. Analyses generated by other systems are also taken into account. Any personal data is submitted by the Human Resource Division.

The management report is prepared on a collaborative basis by the business divisions “MSS”, “BCMA” as well as by the “Finance’ and “Risk Controlling” divisions. In addition to the balance sheet and the income statement, other data drawn from the internal reporting (e.g., documentation of the strategy) and internal and external market studies serve as a source of information. The Executive Board member responsible for the Finance, Treasury and Tax divisions will compile the reporting parts of the management report and will approve the sections that were submitted.

CGME continually monitors its balance sheet developments and thereby also analyzes the key balance ratios. The monitoring of the balance sheet accounts and their balances (net exposures) is supported by a globally utilized system. Under that system, each balance sheet account is assigned to an account supervisor, who must reconcile and, upon request, substantively explain the balance in the relevant account on a monthly basis. The risk that certain balance sheet accounts will be inactive or left unassigned is thereby eliminated.

The results of the process are discussed during monthly Balance Sheet Validation Committee meetings. The persons participating in this meeting are the Executive Board member responsible for the “Finance, Treasury and Tax” Division.

The core controls of the accounting-based internal control system are an essential component of the “Management Control Assessment” (“MCA”), which is the self-assessment form used throughout the entire group. The MCA process is supported by technical systems and is run and supervised by professionally-trained Risk Controlling personnel. The results from the MCA, the results of the internal audit and the documentation of any remedial actions thereupon launched are all logged in a database. Possible risks related to an incomplete, incorrect or omitted capture of accounting facts and/or risks related to a valuation inconsistent with the accounting principles will be taken into account through an internal reconciliation process that is routinely implemented in connection with preparing the annual financial statements and management report and that focuses on the US GAAP accounting data and the accounting data for German commercial law purposes. All divisions within the Bank that are responsible for the accounting and the respective “account owner” are permanently integrated into the process. This approach eliminates the prospect that accounting-based facts are omitted or are recorded incorrectly or in an untimely manner.

The Executive Board of CGME will be informed about the balance sheet and income statement, which are prepared under the provisions of US-GAAP, during the monthly meetings.

The Supervisory Board monitors the accounting-based internal control system and will be informed about any special events during the Supervisory Board meetings.

Accounting-based Internal Control System

The software required for the financial reporting under local standards together with the data required for those purposes have been deposited in a secured IT environment and labelled as being subject to limited access rights.

During the remaining course of fiscal year 2020, CGME intends to fully implement into the daily working procedures the measures, which had been commenced in past years, in order to further strengthen the accounting-based internal control system and to further improve the documentation.

6 Corporate Governance Statement pursuant to § 289f (4) in combination with § 289f (2) no. 4 of the German Commercial Code

Corporate Governance Statement pursuant to § 289f of the German Commercial Code

Equal participation of men and women in management positions including notes about goal attainment

In forming the Executive Board and the Supervisory Board, CGME looks for diversity in an effort to attain a greater wealth of experience and general knowledge and to utilize skills and abilities even better.

In regard to the composition of the Executive Board as well as the Supervisory Board, the CGME Supervisory Board is seeking to attain a female quota of at least 30%. Pursuant to the Act for the Equal Participation of Women and Men in Management Positions enacted on April 30, 2015, the Executive Board of CGME established reasonable (*entsprechende*) target quotas. To this end, a standard minimum target quota of 30% was set for the first and second management level below the Executive Board. CGME has set the goal of attaining that target quota by the end of 2025.

Against the backdrop of the extensive corporate and financial restructurings undertaken in Citigroup since 2018, which also significantly impacted CGME and others in 2020, a female director was able to be successfully seated on the Supervisor Board in the recently completed fiscal year. Nevertheless, the target quota for women on the Supervisory Board was still not achieved by the end of fiscal year 2020, a shortfall attributable to, among other things, uncertainties in the candidate and hiring environment brought on by the COVID-19 pandemic.

In composing the Supervisory Board, a higher-than-average premium (reflecting the importance of the function) is placed on the professional competence and occupational experience of a given Supervisory Board member. This approach is intended to ensure that there is comprehensive coverage of all issues and facts related to advising, supporting and supervising the Executive Board. In this respect, each member of the Supervisory Board, if possible, should have special expertise guaranteeing that the responsibilities and duties of the Supervisory Board will be fully discharged with regard to the CGME business model. With respect to candidates for the CGME Supervisory Board, attention must be given to achieving a balanced composition in order to fully comply with the demands of the different areas of expertise on the Supervisory Board. Moreover, the Supervisory Board Chairman should be familiar with the CGME business sector and with the regulatory environment.

As of the end of fiscal year 2020, the Executive Board consisted of three female and four male members. The female quota on the Executive Board was therefore approximately 43% and was thereby higher than the target quota. At the end of fiscal year 2020, the female share in both professional position levels below the Executive Board was still not fully above the target quota, a shortfall attributable to, among other things, uncertainties in the candidate and hiring environment brought on by the COVID-19 pandemic.

CGME is striving to increase the proportion of women in the aforementioned positions while factoring in natural fluctuations and the suitably consistent professional and personal qualifications and to appoint more women. These initiated efforts will be continued unchanged even in the current candidate and hiring environment brought on by COVID-19 pandemic.

7 Final Statement regarding the Relations with Affiliated Enterprises (Affiliate Dependency Report), § 312 (3) Sentence 3 of the German Stock Corporation Act (AktG)

Final Statement regarding the Relations with Affiliated Enterprises (Affiliate Dependency Report)

The Executive Board of Citigroup Global Markets Europe AG has prepared a report regarding the relations with affiliated enterprises for the recently completed fiscal year 2020, and that report contains the following final statement:

“With respect to the legally binding transactions that are listed in the report regarding relations with affiliated enterprises and based on the facts and circumstances of which we were aware at the time the legally consequential transactions were carried out, our Company received adequate consideration (payment) on each of those legally consequential transactions. Because CGME did not engage in any actions at the behest of CGML or any enterprise affiliated with CGML, CGME did not incur any detriment therefrom.

This assessment is based on the facts and circumstances of which we were aware at the time of the reportable transactions.”

Frankfurt am Main, March 25, 2021

Citigroup Global Markets Europe AG

Kristine Braden

Stefan Hafke

Andreas Hamm

Dr. Jasmin Kölbl-Vogt

Oliver Russmann

Amela Sapcanin

Christian Spieler

Balance Sheet for the Fiscal Year as of December 31, 2020

Citigroup Global Markets Europe AG, Frankfurt am Main

Assets

	EUR	EUR	EUR	12/31/2019 kEUR
1. Cash reserve				
a) Cash on hand		-.--		-
b) Credit balances held at central banks		-.--		-
of which: at the Deutsche Bundesbank (German Central Bank) EUR -.-- (12/31/2019 kEUR -)				
c) Credit balances held at post giro offices		-.--	-.--	-
2. Receivables from banks				
a) Due upon demand		1,679,128,310.57		322,581
b) Other receivables		-.--	1,679,128,310.57	-
3. Receivables from clients			13,783,745,039.80	5,406,732
of which: secured through in rem interests (*Grundpfandrechte*) EUR -.-- (12/31/2019 kEUR -)				
Municipal loans EUR -.-- (12/31/2019 kEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government entities	-.--			-
ab) issued by other entities	-.--	-.--		-
b) Bonds and debt securities				
ba) issued by government entities	-.--			-
of which: qualifying as collateral for the Deutsche Bundesbank EUR -.-- (12/31/2019 kEUR -)				
bb) issued by other entities	-.--	-.--		-
of which: qualifying as collateral for the Deutsche Bundesbank EUR -.-- (12/31/2019 kEUR -)				
c) Own debt securities		-.--	-.--	-
face value EUR -.-- (12/31/2019 kEUR -)				

5.	**Stocks and other variable-yield securities**			-.--	-
5a	**Trading portfolio**			46,751,212,054.29	8,932,625
6.	**Equity investment**			1,135,714.07	1,136
	of which: held in banks	EUR -.-- (12/31/2019 kEUR -)			
	held in financial service institutions	EUR -.-- (12/31/2019 kEUR -)			
7.	**Trust assets**				
	of which: trust loans	EUR 315,617,391.90 (12/31/2019 kEUR 507,281)		315,617,391.90	507,281
8.	**Intangible assets**				
	a) Internally-generated industrial property rights and similar rights and assets		-.--		-
	b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		76,918.78		117
	c) Goodwill		74,316,667.00		83,417
	d) Prepayments		-.--	74,393,585.78	-
9.	**Tangible assets**			2,537,738.60	2,731
10.	**Other assets**			7,689,123,190.03	1,060,668
11.	**Prepaid and deferred items**			1,125,617.17	655
12.	**Excess of plan assets over post-employment benefit liability**			-.--	-
Total Assets				70,298,018,642.21	16,317,943

				Liabilities and equity capital
	EUR	EUR	EUR	12/31/2019 kEUR
1. Liabilities owed to banks				
a) Payable on demand		235,865,811.88		76,278
b) With an agreed term or notice period		-.--	235,865,811.88	-
2. Liabilities owed to clients				
a) Savings deposits				
aa) with an agreed notice period of three months	-.--			-
ab) with an agreed notice period of more than three months	-.--	-.--		-
b) Other liabilities				
ba) Payable on demand	11,482,089,700.23			3,531,592
bb) With an agreed term or notice period	1,146,437,494.25	12,628,527,194.48	12,628,527,194.48	761,503
3. Securitized liabilities				
a) Issued debt securities		-.--		-
b) Other securitized liabilities		-.--		-
of which:				
Money market paper EUR -.-- (12/31/2019 kEUR -)				
Own acceptances and promisory notes outstanding (sola bill) EUR -.-- (12/31/2019 kEUR -)				
c) Miscellaneous securitized liabilities	-.--	-.--	-.--	-
3a Trading portfolio			46,503,037,119.49	9,081,658
4. Trust liabilities			315,617,391.90	507,281

5. Other liabilities				8,619,262,102.22	970,490
6. Deferred income				-.--	-
7. Accrued liabilities					
a) Pensions and similar obligations			21,001,227.00		19,333
b) Tax reserves			22,129,625.29		6,094
c) Other accrued liabilities			102,737,224.88	145,868,077.17	82,552
8. Funds for general bank risks				28,333,610.23	28,334
as defined in § 340e (4) HGB	EUR 28,333,610.23 (12/31/2019 kEUR 28,334)				
9. Equity capital					
a) Subscribed capital					
aa) registered share capital		242,393,054.05			242,393
ab) silent partner capital		-.--	242,393,054.05		-
b) Capital reserves		1,501,320,474.47	1,501,320,474.47		949,491
c) Earnings reserves					
ca) legal reserve		33,027,197.15			33,027
cb) reserves for treasury shares		-.--			-
cc) reserves required by articles of association		-.--			-
cd) other earnings reserves		27,916,536.71	60,943,733.86		27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)			16,850,072.46	1,821,507,334.84	-
Total liabilities and equity capital				70,298,018,642.21	16,317,943

Income Statement

for the period of January 1, 2020 through December 31, 2020

Citigroup Global Markets Europe AG, Frankfurt am Main

	EUR	EUR	EUR	1/1/2019 - 12/31/2019 kEUR
1. Interest income from				
a) Loans and money market transactions	8,892,152.48			18,930
2. Negative interest income from				
a) Loans and money market transactions	12,417,697.86	-3,525,545.38		10,325
3. Interest expenses	34,949,571.93			18,756
4. Positive interest from loans and money market transactions	932,340.76	-34,017,231.17	-37,542,776.55	11
5. Current income from				
a) Shares and other variable-yield securities		-. --		-
b) Equity investments		194,395.04		250
c) Interest in affiliated enterprises		-. --	194,395.04	-
6. Commission income		264,982,555.55		211,806
7. Commission expenses		42,493,362.24	222,489,193.31	34,507
8. Net income from financial trading operations			69,852,500.02	29,030
Included therein are deposits into funds for general bank risks per § 340e (4) HGB EUR -.-- (1/1/2019-12/31/2019 EUR -.--)				
9. Other operating income			99,270,669.82	40,291
10. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	160,873,845.60			151,232
ab) Social security contributions, pension and welfare expenses	9,135,312.38	170,009,157.98		10,269
of which: for Pensions EUR 3,999,238.45 (1/1/2019-12/31/2019: kEUR 5,404)				
b) Other administrative expenses		122,801,154.43	292,810,312.41	99,882
11. Depreciation, amortization and write downs of tangible and intangible assets			10,084,534.63	8,450
12. Other operating expenses			12,839,807.71	7,059

13. Write downs of, provisions for, receivables and certain securities and additions to loan reserves	-. --		-
14. Income from reversal of write downs of receivables and certain securities, and income from reversal of loan reserves	-. --	-. --	-
15. Write downs on equity investments, interests in affiliated enterprises and long-term securities		-. --	-
16. Results from ordinary operations		38,529,326.89	./. 40,161
17. Taxes on income and earnings	21,679,254.43		5,577
18. Other taxes, to the extent not included in item 12	-. --	21,679,254.43	-
19. Income from loss transfers		-. --	-
20. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		-. --	-
21. Annual net profit/Annual net loss		16,850,072.46	./. 45,739
22. Profit carried forward/Loss carried forward from prior year		-. --	./. 14,737
		16,850,072.46	./. 60,476
23. Transfers from capital reserves		-. --	60,476
		-. --	-
24. Transfer from earnings reserves			
a) from legal reserve	-. --		-
b) from reserve for treasury shares	-. --		-
c) from reserves required by the bank's articles of association	-. --		-
d) from other earning reserves	-. --	-. --	-
		-. --	-
25. Transfers from capital participation rights (*Genussrechtskapital*)		-. --	-
		-. --	-
26. Transfers to earnings reserves			
a) to legal reserve	-. --		-
b) to reserve for treasury shares	-. --		-
c) to reserves required by the bank's articles of association	-. --		-
d) to other earning reserves		-. --	-
		-. --	-
27. Replenishment of capital with profit participation rights		-. --	-
28. Unappropriated profit (balance sheet profit)		16,850,072.46	-

Cash Flow Statement per German Accounting Standard No. 21

	Fiscal Year 1/1/20-12/31/20 kEUR	Fiscal Year 1/1/19-12/31/19 kEUR
Annual Net Profit/Loss	**16,850**	**-45,739**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	1,882	-12,330
Changes in accruals	47,875	53,418
Change in other non-cash expenses/income	-	-
Gain/loss from the sale of financial and tangible assets	16	77
Other adjustments (in net terms)	53,744	9,845
Subtotal:	**120,367**	**-5,271**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	-1,356,547	-191,829
- from clients	-8,185,350	-5,151,565
Trading portfolio assets	-37,818,587	-4,317,221
Other assets from current operating activities	-6,628,926	-901,967
Liabilities:		
- owed to banks	159,588	63,976
- owed to clients	8,143,769	4,470,305
Securitized liabilities	-	-
Trading portfolio liabilities	37,421,380	4,402,547
Other liabilities from current operating activities	7,648,942	978,861
Interest and dividend payments received	15,302	24,813
Interest paid	-47,367	-29,081
Income tax payments	-21,679	-5,577
Cash flow from current operating activities	**-549,108**	**-651,468**
Payments received from the outflow of		
- Financial assets	2,375	5,318
- Tangible assets	26	53
Payments made for investments in		
- Financial assets	-4,329	-1,667
- Tangible assets	-793	-475
Payments received from the sale of consolidated companies and other business units	-	-
Payments made for the purchase of consolidated companies in other business units	-	-
Change in cash resources based on investing activities (in net terms)	-	-
Cash flow from investing activities	**-2,721**	**3,229**
Payments received from contributions to equity capital	551,829	624,992
Payments made to company owners:		
- Dividend payments	-	-
- Other outgoing payments	-	-
Change in cash resources other capital (in net terms)	-	23,247
Cash flow from financing activities	551,829	648,239
Cash and cash equivalents at the end of previous period	**0**	**0**
Cash flow from current operating activities	-549,108	-651,468
Cash flow from investing activities	-2,721	3,229
Cash flow from financing activities	551,829	648,239
Cash and cash equivalents at the end of the period	**0**	**0**

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Share capital kEUR	Capital reserve kEUR	Earnings reserves kEUR	Unappro-priated profit/loss kEUR	Total equity capital kEUR
Per December 31, 2019	242,393	949,491	60,944	0	1,252,828
Capital increases with premium	-	-	-	-	-
Capital reductions/share repurchases	-	-	-	-	-
Dividends paid	-	-	-	-	-
Additional payments into equity capital pursuant to § 272 para. 2 no. 4 of the German Commercial Code	-	551,829	-	-	551,829
Result December, 2020	-	-	-	16,850	16,850
Transfer to earnings reserves	-	-	-	-	-
Per December 31, 2020	242,393	1,501,320	60,944	16,850	1,821,507

The earnings reserves are made up of the legal reserves totaling kEUR 33,027 and other earnings reserves totaling kEUR 27,917.

Citigroup Global Markets Europe AG,
Frankfurt am Main

Notes
to the Financial Statements for the Fiscal Year of
January 1, 2020 through December 31, 2020

1 General Information

Citigroup Global Markets Europe AG, Frankfurt am Main (abbreviated herein as "CGME"), is a stock corporation with its registered place of business in Frankfurt am Main and has been recorded in the Commercial Register of the Local Court of Frankfurt am Main under registration number HRB 88301 since June 10, 2010.

In March 2020, the sole shareholder of CGME, Citigroup Global Markets Limited, London/UK, (CGML), injected additional equity capital pursuant to § 272 (2) no. 4 of the German Commercial Code in the amount of USD 300 million, which converts roughly into EUR 270.7 million.

In December 2020, CGML also made an additional payment into equity capital pursuant to § 272 (2) no. 4 of the German Commercial Code in the amount of USD 342 million, which converts roughly into EUR 281.20 million.

2 Accounting Principles

The financial statements for the fiscal year of January 1 through December 31, 2020 ("Fiscal Year") were prepared in accordance with the provisions of the German Commercial Code (abbreviated herein as "HGB"), the German Stock Corporation Act (abbreviated herein as "AktG") and the supplemental accounting rules of the provisions under the Accounting Regulation for Banks and Financial Services Institutions (abbreviated herein as "RechKredV").

The balance sheet and income statement were organized and structured on the basis of the standard forms prescribed in RechKredV.

CGME is a capital markets-oriented corporation within the meaning of § 264d HGB in combination with § 340a (1) HGB.

The financial statements were prepared in accordance with § 244 of the German Commercial Code (HGB) in the German language and in euro. Unless otherwise indicated in any individual sections, the figures shown are in million euros (EUR million) in an effort to provide better clarity. Due to rounding, certain numbers in the financial statements may do not add up exactly to the indicated sums.

3 Accounting and Valuation Methods

Unless otherwise described below or unless an additional explanation for better comprehension is considered necessary, the same accounting and valuation methods that were applied in connection with preparing the half-year financial report per June 30, 2020 and the annual financial statements as of December 31, 2019 were applied in preparing the annual financial statements as of December 31, 2020.

Receivables from banks are stated at the nominal amount plus accrued interest. No write-downs were required in the Fiscal Year.

Receivables from clients are recorded on the balance sheet at the repayment amount plus accrued interest and, if required, less any allowances established to cover counterparty risks.

The valuation of the **financial instruments of the trading portfolio** was carried out at fair value less a risk discount in accordance with sentence one of § 340e (3) HGB. The financial instruments are recognized at their cost of acquisition at the time they are acquired. In accordance with an official statement (RS BFA 2) of the Institute of Public Auditors in Germany (IDW), the follow-up valuation at fair value is based on the value at which competent parties, who are independent of one another but wish to contract, could exchange an asset or pay a liability and is performed in accordance with the hierarchical order of valuation criteria set forth in § 255 (4) HGB. The recognized value of financial instruments, which are not traded on an active market, are determined using generally accepted valuation methods (e.g., on the basis of option pricing models). In general, these methods are based on estimates of future cash flows while factoring in any risk factors. In this regard, the most important factors, in each case dependent on the nature of the relevant financial instrument, are the “underlying price”, “implicit volatilities”, “yield curves” and “dividend forecasts”. In this regard and depending on the structure of the respective financial instrument, there are, *inter alia*, other assumptions that the valuation is "risk-neutral" with regard to the future development of market prices, that interest rates and credit costs are deterministic and, for example, that the amount of dividends is generally known and will be paid on certain dates. Furthermore, when applying the valuation models, additional probabilities regarding the occurrence of certain valuation parameters or factor sensibilities (Delta, Gamma) are also taken into account.

The stock market prices used for the valuations are mid prices.

As of December 31, 2020, a **risk discount** (**Value at Risk**) in the amount of EUR 7.4 million was applied. In comparison to the valuation discount applied as of the end of fiscal year 2019 in the amount of EUR 6.8 million, this discount results in an additional adverse impact on earnings in the amount of EUR 0.6 million for Fiscal Year 2020.

For purposes of calculating the value-at-risk, CGME uses a model that was developed by Citigroup and applied uniformly within the corporate group (IMA) and that is utilized to satisfy the equity capital requirements for market price risks. In this regard, the VaR reflects the maximum expected loss of a trading book during a certain holding period (CGME: 10 days) with a pre-defined probability (CGME: confidence level of 99%). Specific risks of certain stocks (beta risk) are likewise factored into the calculation. The calculation of the VaR is made using a Monte Carlo simulation, which is run for all trading activities on the basis of uniform assessment criteria. The volatilities of the individual market factors, which are included in the calculation as well as their correlation to one another, are computed on an empirical basis.

In addition to the value at risk, CGME applied - as of the balance sheet date - a discount for the “Other Price Risks” trading book in the form of a “market value adjustment” totaling EUR 2.0 million (12/31/2019: EUR 1.9 million), which was calculated using a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

The trading portfolio in foreign currencies is valued using the foreign exchange rates published by the European Central Bank.

The **equity investments** are recognized at their cost of acquisition or, in some cases, at the lower fair value.

Assets and liabilities that CGME holds in its own name but for the accounts of third parties are shown on the balance sheet under the line items **trust assets and trust liabilities**. The valuation is made at amortized cost or the settlement amount.

The **intangible assets**, which were all acquired in exchange for consideration, and the **tangible assets** are valued at their cost of acquisition and are generally written-down on a straight-line basis in accordance with the expected standard useful life of those assets. Any permanent impairment that may exist is taken into account through an unscheduled write-down. When in the last fiscal year the branches in Paris, Milan and Madrid were contributed as capital in connection with the CGME registered share capital increase, the customer relationships that existed at the branches were also transferred and those relationships were attributed a goodwill value, which is being amortized on a scheduled basis *pro rata temporis* over a 10-year period.

Other assets are shown on the balance sheet at their nominal value. In the event of an impairment, the stock or market price or the lower fair value will be subject to a one-time (unscheduled) write-down in accordance with § 253 (4) HGB.

Depending on their net acquisition costs, **low-value economic assets** (*geringwertige Wirtschaftsgüter*) are written-off in full in the year in which they are acquired.

The **accrual and deferral items** on the asset and liability side of the balance sheet include payments that are attributable the bottom-line in future fiscal years.

Liabilities owed to banks and to clients were stated at their settlement amount plus accrued interest.

Provisions for pension and similar obligations were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship (employment tenure), for which pension commitments have been made, and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time.

In order to calculate the present cash value, a discount rate of 2.30 % (12/31/2019: 2.71%) based on a 15-year term was used. Pursuant to § 253 (2) sentence 1 HGB, the average market rate of the previous ten fiscal years was used as the discount rate for calculating the present cash value in the recently completed fiscal year. With respect to the resulting difference, we refer to our comments on page 20 of these notes regarding the total sum of the amounts barred from payout distribution. Future salary and wage increases were estimated at 2.5%, and at the same time, a 1.5% adjustment of the current annuities was assumed.

In general, the biometric data was derived from the Dr. Klaus Heubeck 2018 G mortality tables. In connection with accounting for the accruals for pensions and similar obligations, assets that serve only to settle the debts owed under the pension obligations or similar long-term obligations in accordance with § 340a (1) in combination with § 246 (2) sentence 2 HGB were offset against them.

In calculating the **accruals**, all recognizable risks as well as uncertain liabilities were taken into account on the basis of a prudent business judgment (*vorsichtiger kaufmännischer Beurteilung*). The settlement amount of **other accruals** was calculated by factoring in future price and cost increases. Accruals or provisions with a residual term to maturity of more than one year were discounted at the average market interest rate over the past seven fiscal years as such rate was calculated by the *Deutsche Bundesbank* for matching maturities. If recourse agreements existed, then they were taken into account in calculating the accrual (net result shown).

Accruals were set up in the balance sheet for **contracts and pending legal disputes** that could have an adverse effect on the financial condition.

Futures and other derivative transactions involving currencies, indexes, stocks, raw materials and precious metals were valued at the rates and interest rates on the balance sheet date and shown in the trading portfolio.

Currency receivables and liabilities were valued in accordance with § 340a (1) in combination with § 256a HGB at the ECB average rates applicable on the balance sheet date. To the extent that the ECB does not publish any average rates, the currency positions are recognized at market rates. Spot exchange transactions or currency futures, which were not yet cleared, were valued at the average spot or futures rates of the balance sheet date and applicable to their maturity. The treatment of expenses and income from the currency translation satisfies the requirements under § 340h HGB. The result of the currency translation is included in the income statement under the item “net income from financial trading operations”.

Negative interest income and negative interest expenses are shown in the income statement line items no. 2 “Negative interest income” or no. 4 “Positive interest from loans and money market transactions” in accordance with § 340c (1) and (2) HGB in combination with § 265 (5) HGB.

4 Notes to Individual Items on the Balance Sheet

4.1 Balance sheet items

4.1.1 Term structures based on maturity dates

Receivables from banks

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
with a term to maturity of		
up to three months	1,679.1	322.6
more than three months and up to one year	0	0
more than one year and up to five years and more than five years	0	0
Total	**1,679.1**	**322.6**

Receivables from banks rose by EUR 1,356.5 million as a result of the business expansion that was continued in the Fiscal Year. This growth was based primarily on a rise in receivables (EUR 1,130.7 million) in connection with the initiated broker-dealer business that CGME transacted on the derivatives market, “Eurex”.

Receivables from clients

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
with a term to maturity of		
up to three months	13,783.7	5,406.7
more than three months and up to one year	0	0
more than one year and up to five years	0	0
more than five years	0	0
indefinite term	0	0
Total	**13,783.7**	**5,406.7**

Compared with the balance sheet date of the recently completed fiscal year, **receivables from clients** as of December 31, 2020 rose by EUR 8,377.0 million to EUR 13,783.7 million. Of that amount, approximately EUR 3,078.6 million of the receivables related to the broker-dealer transactions that were executed in its own name and for its own account and that CGME settled via, *inter alia*, the so-called “housing” (12/31/2020: EUR 2,174.1 million; 12/31/2019: EUR 1,689.7 million) and “London” (12/31/2020: EUR 820.9 million; 12/31/2019: EUR 10.9 million). Moreover, a total of EUR 4,291.4 million (12/31/2019: EUR 2,111.9 million) is attributable to other receivables from clients based on the broker-dealer business with third parties, whereby a total of EUR 2,816.1 million (12/31/2019: EUR 984.7 million) were settled as back-to-back transactions with affiliated enterprises. Accordingly, the **liabilities owed to clients** rose as of December 31, 2020 from EUR 4,293.1 million to EUR 12,628.5 million.

The balance sheet items also include receivables that were generated from repo transactions (reverse repos) in the amount of EUR 4,513.1 million (12/31/2019: EUR 832 million). Of this amount, approximately EUR 1,243.6 million relate to reversed repo transactions executed with third parties in connection with the “Matchbook-Desk” and approximately EUR 3,269.5 million relate to securities transactions that were executed with affiliated enterprises for liquidity purposes (reverse repo transactions).

Liabilities owed to banks

The liabilities are owed mainly to affiliated enterprises and exhibit the following maturities:

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
with an agreed term or notice period of up to three months	235.9	76.3
more than three months and up to one year	0	0
more than one year and up to five years	0	0
more than five years	0	0
Total	**235.9**	**76.3**

By virtue of the business expansion that was continued in the Fiscal Year, the liabilities owed to banks rose by EUR 159.6 million. This growth is attributable primarily to an increase in liabilities owed to affiliated enterprises.

Liabilities owed to clients

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
with an agreed term or notice period of up to three months	11,487.6	3,839.1
more than three months and up to one year	0	0
more than one year and up to five years	733.4	0
more than five years	407.5	454.0
Total	**12,628.5**	**4,293.1**

This balance sheet items also include liabilities from closed-out repo transactions in the amount totaling EUR 1,657.5 million (12/31/2019: EUR 832 million). Of this amount, approximately EUR 1,073.7 million relate to repo transactions that were executed with third parties in connection with the “Matchbook-Desk” and approximately EUR 583.8 million relate to repo transactions that were executed with affiliated enterprises for liquidity management purposes.

The balance sheet items also include liabilities owed to the affiliated enterprise, Citicorp LLC (USA) in an amount totaling EUR 1,146.4 million (12/31/2019: EUR 454.0 million).

Overall, CGME has no liabilities for which securities in the trading portfolio have been deposited as collateral (12/31/2019: EUR 308.0 million).

4.1.2 Receivables and liabilities *vis-à-vis* affiliated enterprises

The individual balance sheet items include receivables from, and liabilities owed to, affiliated enterprises as follows:

Receivables from affiliated enterprises

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
Receivables from banks	536.6	291.3
Receivables from clients	7,404.9	2,225.8
Other receivables	18.2	35.7
Total	**7,959.7**	**2,552.8**

Liabilities owed to affiliated enterprises

Composition:

	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
Liabilities owed to banks	231.3	63.8
Liabilities owed to clients	6,253.6	3,032.4
Other liabilities	7,581.2	661.5
Total	**14,066.1**	**3,757.7**

4.1.3 Trading portfolio assets and liabilities

The **trading portfolio assets and liabilities** consist of the following:

Trading Portfolio				
	Asset	**Liability**	**Asset**	**Liability**
	Book value 12/31/2020 (EUR in millions)	**Book value 12/31/2020 (EUR in millions)**	**Book value 12/31/2019 (EUR in millions)**	**Book value 12/31/2019 (EUR in millions)**
1. Derivative financial instruments				
• FX-induced trades				
OTC-currency options	2,088.3	2,083.8	1,280.6	1,275.8
Currency warrants own issues	259.1	263.7	166.6	170.0
Foreign exchange spot transactions	414.6	416.7	102.5	103.3
• Stock warrants own issues	4,820.1	5,223.1	3,133.9	3,327.2
• OTC stocks & index options	517.6	503.3	131.6	132.7
• Stock & index warrants issued by third parties	-	-	-	-
• Index-warrants own issues	1,680.0	1,715.8	1,669.4	1,683.2
• Exchange-traded stock & index options	343.8	20.0	145.3	53.1
• OTC interest rate options	35,657.3	35,582.4	1,758.3	1,755.4
• Commodity warrants own issues	58.4	60.9	41.3	42.2
• OTC commodity options	175.3	175.3	3.6	3.6
Carryover	46,014.5	46,045.0	8,433.1	8,546.5

Trading Portfolio				
	Asset	**Liability**	**Asset**	**Liability**
	Book value 12/31/2020 (EUR in millions)	**Book value 12/31/2020 (EUR in millions)**	**Book value 12/31/2019 (EUR in millions)**	**Book value 12/31/2019 (EUR in millions)**
Carryover	46,014.5	46,045.0	8,433.1	8,546.5
2. Bonds and other fixed income securities	249.9	382.6	183.4	462.2
of which marketable (börsenfähig)	249.9	382.6	183.4	462.2
of which exchange-traded	249.9	382.6	183.4	462.2
3. Stocks and other variable yield securities	494.2	73.4	322.9	71.1
of which marketable	494.2	73.4	322.9	71.1
of which exchange-traded	494.2	73.4	322.9	71.1
4. Market-Value-Adjustment	-	2.0	-	1.9
5. Value at Risk	-7.4	**-**	-6.8	**-**
Total	**46,751.2**	**46,503.0**	**8,932.6**	**9,081.7**

4.1.4 Trust assets and trust liabilities

Since the commencement of fiscal year 2019, CGME has been providing to its clients as part of its business services connected with derivatives; services that had been previously provided by its sole shareholder, “CGML”. Under so-called “**FCC Business**” (which stands for “Futures, Clearing and Collateral Services”), the CGME investor services business encompasses, *inter alia*, the trading of derivate financial instruments in its own name but for the account of the clients and the related receipt and forwarding of client funds, which must be deposited by the client to serve as collateral to secure the trading in futures. The contractual arrangements that were thereby made stipulate a certain segregation of client assets from the CGME assets in an effort to specifically shield client assets from any third-party enforcement action that could be initiated in the event that the “asset-managing” CGME becomes the subject of an insolvency proceeding. The client assets are therefore held in trust. Accordingly, as of the end of Fiscal Year 2020, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 315.6 million.

4.1.5 Movement of fixed assets

The fixed assets (intangible fixed assets and tangible fixed assets) developed as follows in the Fiscal Year:

	Original Acquisition costs			Accumulated depreciation, amortization and write-downs					Book values	
	1/1/ 2020	**Additions (Disposals) Re-posting**	**12/31/ 2020**	**1/1/ 2020**	**Write-downs**	**Write-ups**	**Additions (Disposals) Re-Posting**	**12/31/ 2020**	**12/31/ 2020**	**12/31/ 2019**
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Intangible assets acquired for consideration	96.0	0.0 0.0 0.0	96.0	12.5	9.1	0.0	0.0 0.0 0.0	21.6	74.4	83.5
Office and plant equipment	10.7	0.3 (3.0) 0.0	8.0	9.3	0.5	0.0	0.0 (3.0) 0.0	6.8	1.1	1.4
Leasehold improv-ments	16.0	0.2 (0.9) 0.0	15.3	14.8	0.4	0.0	0.0 (0.9) 0.0	14.3	1.0	1.2
Construction in progress	0.2	0.3 0.0 0.0	0.4	0.0	0.0	0.0	0.0 0.0 0.0	0.0	0.4	0.2
Equity investments	1.1	0.0 0.0 0.0	1.1	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Total	**124.0**	**0.8** **(3.9)** **0.0**	**120.8**	**36.6**	**10.1**	**0.0**	**0.0** **(3.9)** **0.0**	**42.8**	**78.1**	**87.4**

The intangible and tangible assets (office and plant equipment as well as leasehold improvements), as reported as of the end of the Fiscal Year, are used solely by CGME itself. Depreciation, amortization and write-downs relating to the additions made during the Fiscal Year totaled kEUR 169 for tangible assets.

When the branches in Paris, Milan and Madrid were contributed as capital, the customer relationships that existed at the branches were also transferred and were recognized as **goodwill**, which was originally valued at EUR 91 million and then amortized on a scheduled basis over a period of 10 years.

The **equity investments** that are recognized on the balance sheet and are unchanged from the previous fiscal year are not marketable and relate to the following companies:

Equity investments	**12/31/2020 (EUR in millions)**	**12/31/2019 (EUR in millions)**
True-Sale International GmbH, Frankfurt	0.15	0.15
Börse Stuttgart CATS GmbH, Stuttgart	0.99	0.99
Total	**1.14**	**1.14**

4.1.6 Other assets

The line item “Other Assets” (EUR 7,689.1 million; 12/31/2019: EUR 1,060.7 million) includes primarily receivables generated from variation/initial margins paid (EUR 7,633.9 million; 12/31/2019: EUR 1,037.4 million), which arose due to the continued expansion of the broker-dealer business in the Fiscal Year and as a result of tax refund claims (EUR 18.9 million; 12/31/2019: EUR 11.6 million).

4.1.7 Prepaid and deferred items

The amount on the balance sheet totaling EUR 1.1 million (prior year: EUR 0.7 million) relates to prepaid fees.

4.1.8 Other liabilities

The line item “Other Liabilities” (EUR 8,619.3 million; 12/31/2019: EUR 970.5 million) are primarily liabilities arising from variation/initial margins received (EUR 8,603.7 million; 12/31/2019: EUR 933.7 million), which arose due to the continued expansion of the broker-dealer business in the Fiscal Year and as a result of tax refund claims EUR 11.3 million (12/31/2019: EUR 7.8 million).

4.1.9 Accruals for pensions and similar obligations

To hedge third-party claims from pension and similar commitments, assets in the form of liquid funds and units or shares in securities funds (*Wertpapiersondervermögen*) are available as of the balance sheet date. The funds are managed exclusively by outside asset managers who invest in exchange-traded securities in accordance with the relevant investment guidelines. In the event CGME enters insolvency, CGME creditors will be denied access to those assets that are transferred to the trustees.

In accordance with § 246 (2) sentence 2 in combination with § 340a (1) HGB, the assets used for hedging purposes will be set off at their fair value against the obligations valued at the settlement amount. The fair values of the relevant funds’ assets are documented as of the balance sheet date in a schedule that is provided by the administrator.

The contractual hedge of the **business pension obligations** was carried out on the basis of a contractual trust arrangement (CTA) with the trustee, Towers Watson Treuhand e.V.

To hedge the pension commitments, units that are held in the “Rose” fund (acquisition costs of EUR 104.8 million) and were purchased or contractually promised by CGME, are made available and, pursuant to § 246 (2) sentence 2 in combination with § 340a (1) HGB, were netted at their fair value (EUR 198.0 million) against the settlement amount from the pension obligations (EUR 208.6 million). The settlement amount exceeding the plan assets as of the balance sheet date and equaling EUR 10.6 million (12/31/2019: EUR 7.4 million) is recognized on the balance sheet under the item “Accruals for pensions and similar obligations”.

As of December 31, 2020, **pension obligations under the “PAS”, “PRS” and “Deferred Compensation” plans** also exist and arose from **bonus conversions**. The obligations under the “PAS” and “Deferred Compensation” plans are linked to the fair value of the relevant fund serving as the plan assets.

Factoring in the existing pension plan set-offs (netting the assets and liabilities) carried out at fair value pursuant to § 246 (2) sentence 2 HGB, the **balance sheet components** of accruals for pensions and similar obligations consist of the following:

	12/31/2020		12/31/2019	
	EUR in millions	EUR in millions	EUR in millions	EUR in millions
I. General pension obligations				
Settlement amount	211.7		201.1	
less				
plan assets Rose*)	- 198.0	13.7	- 191.3	9.8
II. Pension obligations PAS)**				
Settlement amount	9.1		9.0	
less				
plan assets	- 9.1	-	- 9.0	-
III. Pension obligations Deferred Compensation*)**				
Settlement amount	8.1		8.5	
less				
plan assets	- 8.1	-	- 8.5	-
IV. Pension obligations PRS **)**				
Settlement amount	56.4		54.7	
less				
plan assets	- 49.1	7.3	- 45.2	9.5
Excess of plan assets over post-employment benefit liabilities		**-**		**-**
Accruals for pensions and similar obligations		**21.0**		**19.3**

*) Acquisition costs EUR 104.8 million
**) Acquisition costs EUR 1.4 million
***) Acquisition costs EUR 6.9 million
****) Acquisition costs EUR 38.3 million

The effects on income arising from the accounting of the accruals for pension and similar obligations and from netting assets, which are attributable to plan assets, against the respective fair value, are shown in the table below:

	1/1/2020-12/31/2020 (EUR in millions)		1/1/2019-12/31/2019 (EUR in millions)	
I. General pension obligations				
- Expense (-)/income based on interest accrued on pension obligations	- 16.4		- 18.7	
- Change in the fair value of the plan assets	6.6		17.0	
- Expenses for standard allocation	- 3.9	- 13.7	- 6.7	- 8.4
II. Pension obligations PAS				
- Expense (-)/income based on interest accrued on pension obligations	- 0.2		2.2	
- Change in the fair value of the plan assets	0.2	-	- 2.2	-
III. Pension obligations Deferred Compensation				
- Expense (-)/income based on interest accrued on pension obligations	0.0		0.0	
- Change in the fair value of the plan assets	0.0	-	- 0.0	-
IV. Pension obligations PRS				
- Expense (-)/income based on interest accrued on pension obligations	- 3.2		- 4.0	
- Change in the fair value of the plan assets	1.4		1.5	
- Expenses for standard allocation	- 0.2	- 2.0	1.5	- 1.0
Total		**- 15.7**		**- 9.4**

The total sum of the amounts that are barred from payout distribution developed as follows compared to the previous balance sheet date:

Reason for barring payout distribution	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
Capitalization of the plan assets in connection with pension obligations at fair value (12/31/2020: EUR 264.3 million; 12/31/2019: EUR 254.1 million) pursuant to § 268 (8) sentence 3 in combination with § 340a (1) HGB	112.8	104.6
Differential in connection with the differentiated interest applied to pension accruals pursuant to § 253 (6) in combination with § 340a (1) HGB	23.8	25.3
Total	**136.6**	**129.9**

1: *Development of amounts that are barred from payout distribution*

The **differential amount pursuant to § 253 (6) in combination with § 340a (1) HGB** is calculated as follows:

	10-year average interest rate and term to maturity of 15 years		7-year average interest rate and term to maturity of 15 years	
	12/31/2020	**12/31/2019**	**12/31/2020**	**12/31/2019**
Average interest rate (%)	2.30	2.71	1.60	1.97
Accrual for pensions and similar obligations (EUR in millions)	245.7	231.3	269.5	256.6
Differential amount (EUR in millions)				
	12/31/2020		**12/31/2019**	
	23.8		**25.3**	

As of the balance sheet date, the freely available provisions (reserves) exceed the total sum of the amounts that are barred from payout distribution.

4.1.10 Other accruals

In comparison to the prior year, the item “Other Accruals” consists of the following:

Accruals for	12/31/2020 (EUR in millions)	12/31/2019 (EUR in millions)
Bonus payments to employees	82.2	57.2
Outstanding invoices	8.0	7.4
Outstanding vacation	7.7	5.5
Audit costs	3.1	4.8
Personnel costs	1.7	7.5
Early retirement obligations	-	0.2
Total	**102.7**	**82.6**

In calculating the provisions set aside for early retirement obligations (kEUR 16; 12/31/2019: EUR 0.2 million), claims arising from pledged reinsurance policies and totaling EUR 0.7 million (12/31/2019: EUR 1.0 million) were reconciled against the settlement amount of EUR 0.7 million (12/31/2019: EUR 1.2 million).

In the recently completed Fiscal Year, expenses in the amount of kEUR 8 (12/31/2019: kEUR 17) were generated from interest accrued on the obligations, and income totaling kEUR 13 (12/31/2019: kEUR 16) was yielded from a change in the fair value of the plan assets income. In connection with the standard allocation, income totaling EUR 0.15 million was generated (12/31/2019: expense of EUR 0.17 million).

4.1.11 Funds for general bank risks

The disbursement ban shown under the balance sheet item “**Special Items for General Bank Risk**” pursuant to § 340e (4) HGB was EUR 26.1 million (12/31/2019: EUR 19.7 million) as of the end of the Fiscal Year.

4.1.12 Subscribed capital

The **subscribed capital** totaling EUR 242.4 million (12/31/2019: EUR 242.4 million) is divided into 9,481,592 no par shares (12/31/2019: 9,481,592). The sole shareholder of CGME is Citigroup Global Markets Ltd., London/Great Britain, (abbreviated herein as "CGML"), whose financial statements are included in the consolidated financial statements of Citigroup Inc. New York/USA.

4.1.13 Capital reserves

The increase in capital reserves to EUR 551.8 million (12/31/2019: EUR 949.5 million) came from additional capital injections made by the shareholder pursuant to § 272 (2) no. 4 HGB and totaling EUR 551.8 million.

4.1.14 Assets and liabilities denominated in foreign currencies

The total amount of assets denominated in a foreign currency is EUR 4,579.1 million (12/31/2019: EUR 2,310.8 million); the liabilities contain foreign currency amounts totaling EUR 4,816.7 million (12/31/2019: EUR 1,979.3 million).

4.2 Income Statement Items

4.2.1 Interest result

The interest result continued to worsen overall with the net loss climbing EUR 27.4 million to EUR - 37.5 million (12/31/2019: EUR - 10.1 million). This development is based primarily on the increased interest expenses of EUR 16.1 million, which in turn were incurred mainly in connection with the collateral provided on the broker-dealer business and the intra-group refinancing *vis-à-vis* Citicorp LLC, USA.

The negative interest income may be attributed primarily to the closed-out reverse repo transactions as well as the collateral provided on the broker/dealer business.

The positive interest expenses are attributable to the closed out repo transactions.

4.2.2 Commission income

The commission income is derived from the following components:

Type of fee	**1/1/ - 12/31/2020 (EUR in millions)**	**1/1/ - 12/31/2019 (EUR in millions)**
Commissions from affiliated enterprises	172.1	129.0
Commissions on foreign currency products	17.5	14.5
Commissions from M&A/Advisory	75.4	68.2
Miscellaneous fees	-	0.2
Internal group cost-sharing arrangements	- 42.5	- 34.5
Total	**222.5**	**177.3**

4.2.3 Net income from financial trading operations

The net income from financial trading operations (EUR 69.9 million; 1/1 – 12/31/2019: EUR 29 million) is composed of, among other things, the negative result generated from the “Equities and Index Risk” trading book (EUR 14.5 million; 1/1 – 12/31/2019: negative result EUR 56.8 million) as well as the positive result generated from the “Currency Risk” trading book (EUR 85.0 million; 1/1 – 12/31/2019: positive result of EUR 90.9 million), which consists mostly of the results from OTC currency trades and exchange-traded currency futures transactions with USD, GBP and JPY underlyings. The net income from financial trading operations includes currency translation income in the amount of EUR 724.4 million and currency translation expenses in the amount of EUR 702.7 million.

4.2.4 Other operating income

This line item includes primarily income from costs passed through to the shareholder in the amount of EUR 63.6 million (1/1-12/31/2019: EUR 10.4 million), which were generated at CGME in connection the continued customer and business expansion. These cost-sharing measures include primarily transaction and stock exchange fees as well as costs for the intra-group refinancing line that was set up to provide adequate liquidity. The line items also include mostly income from passing through expenses to affiliated enterprises of EUR 14.3 million (1/1-12/31/2019: EUR 17.4 million), income from the early repayment of a refinancing line to Citicorp LLC in the amount of EUR 9.1 million as well as income from turnover tax refunds in the amount of EUR 4.7 million (1/1-12/31/2019: EUR 2.0 million).

4.2.5 Other administrative expenses

This line item (EUR 122.8 million, 1/1-12/31/2019: EUR 99.9 million) includes, among other things, “Citigroup processing costs” in the amount of EUR 0.7 million (1/1-12/31/2019: EUR 1.6 million), “Citi Chargeouts” expenses of EUR 16.0 million (1/1-12/31/2019: EUR 9.0 million), custody fees of EUR 13.8 million (1/1-12/31/2019: EUR 9.1 million), rent expenses in the amount of EUR 5.7 million (1/1-12/31/2019: EUR 6.0 million), costs for the stock exchange listing of derivative products equaling EUR 20.2 million (1/1-12/31/2019: EUR 13.3 million), costs for customer solicitation / advertising of EUR 3.1 million (1/1-12/31/2019: EUR 4.2 million) and transaction fees of EUR 8.7 million (1/1-12/31/2019: EUR 4.0 million).

4.2.6 Other operating expenses

This item includes primarily expenses and income from the valuation of pension obligations as well as corresponding plan assets (netting) in the amount of EUR 9.8 million for Rose (1/1-12/31/2019: EUR 1.6 million) and in the amount of EUR 1.8 million for PRS (1/1-12/31/2019: EUR 2.5 million).

4.2.7 Income and expenses related to other accounting periods

Other operating income includes income related to other accounting periods that is based on turnover tax refunds triggered by the findings from an audit for the years 2009 - 2012 (EUR 4.7 million) as well as rent receivables held against affiliated enterprises (EUR 0.8 million).

Income tax expenses for 2018 and 2019 in the amount of EUR 0.6 million are shown as a non-period expense under the line item “Taxes on Income and Earnings”.

5 Miscellaneous Notes

5.1 Derivative financial instruments

Types of derivatives transactions

As of the end of the recently completed Fiscal Year, the derivatives business of the bank included the following transactions allocated to the respective trading books:

- **“Foreign Currency Risk” trading book**
  - OTC currency option transactions and swaps
  - Currency warrants
  - Foreign exchange spot transactions
- **“Equities and Index Risk” trading book**
  - Equities and other variable-yield securities in the trading portfolio
  - OTC index & stock options and swaps
  - Equities and index warrants
  - Exchange-traded futures and options transactions on equities and stock indexes as well as
  - Index certificates and equity certificates
- **“Interest Risks” trading book**
  - OTC interest rate options and swaps
  - Exchange-traded interest rate futures
- **Other trading book**
  - Exchange-traded futures transactions
  - Warrants on commodities and precious metals
  - OTC options and swaps on commodities and precious metals.

Trade volumes of derivatives and futures transactions

The total volume of derivatives transactions based on the terms to maturity as of December 31, 2020 is set forth as follows:

- **“Foreign Currency Risks” trading book**

	< 1 year nominal amount	**1-5 years nominal amount**	**> 5 years nominal amount**	**Total nominal amount**	**Market value**
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
OTC-currency options and currency swaps					
Bought	51,158	10,908	9,296	71,362	2,088.3
Sold	9,703	9,993	8,208	27,904	- 2,083.9
Currency warrants own issues					
Bought	770	-	1,365	2,135	259.1
Sold	829	-	1,400	2,229	- 263.7
Exchange-traded currency futures					
Bought	16,550	271	344	17,165	414.6
Sold	16,499	270	344	17,113	- 415.9

OTC currency transactions consist primarily of options and swaps on USD, GBP and JPY. The anticipated cash flow from the derivatives depends mainly on how the relevant underlying performs. The exchange-traded currency futures include primarily trades on USD and JPY.

- **“Equities and Index Risks” trading book”**

Type of transaction	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity warrants own issues					
Bought	7,864	741	4,640	13,245	4,820.1
Sold	10,980	1,585	5,076	17,641	- 5,223.1
OTC-stock options and equity swaps					
Bought	12,909	2,755	2,424	18,088	470.2
Sold	12,426	2,476	3,106	18,007	- 455.7
OTC-index options and index swaps					
Bought	3	0	-	3	47.4
Sold	3	0	-	3	- 47.6
Index warrants own issues					
Bought	9,217	70	6,508	15,795	1,680.0
Sold	10,511	125	6,648	17,284	- 1,715.8
Exchange-traded index futures					
Bought	32	-	-	32	0.3
Sold	127	-	-	127	- 1.1
Exchange-traded index options					
Bought	1,140	18	-	1,158	21.0
Sold	80	2	-	82	-5.1
Exchange-traded stock options					
Bought	1,907	972	-	2,879	322.8
Sold	207	11	-	218	- 14.9
Index and equity certificates own issues					
Bought	154	1	36	191	187.7
Sold	335	9	38	382	- 382.6

The “**Other Price Risks”** trading book includes primarily options and swaps on stocks and options on exchange indexes. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible throughout the entire term). The cash flow anticipated from the derivatives depends mostly on how the underlying performs.

- **Interest rate transactions**

	< 1 year nominal amount	**1-5 years nominal amount**	**> 5 years nominal amount**	**Total nominal amount**	**Market value**
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
OTC interest options and interest rate swaps					
Bought	22,442	84,153	134,084	240,678	35,657.4
Sold	21,933	83,866	134,802	240,601	-35,582.5

- **Other Trading Operations**

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC options and swaps on commodities					
Bought	1,468	690	-	2,158	175.3
Sold	1,468	690	-	2,158	- 175.3
Warrants on commodities and precious metals own issues					
Bought	3	-	131	134	58.4
Sold	5	-	139	144	-60.9
Exchange-traded futures on commodities					
Bought	1	-	-	1	0.0
Sold	4	-	-	4	- 0.2

The “**Other Trading Operations**” trading book includes primarily options and swaps on precious and base metals. The cash flow anticipated from the derivatives depends mainly on how the underlying performs.

Counterparty risk in derivatives trading

As of December 31, 2020, the credit equivalents under the CRR (Capital Requirements Regulation), before credit risk weighting and after regulatory netting, are as follows:

Credit risk	**Companies and individuals and public bodies, including central banks from Zone B**	**Credit institutions from Zone A**	**Credit Institutions from Zone B**	**Centralized settlements**
Product group	**Credit equivalent (EUR in millions)**			
Trading book “currency risks” and trading book “other price risks”	2,021.8	6,493.1	845.2	80.1
Other trading operations	-	-	-	-
Total	**2,021.8**	**6,493.1**	845.2	**80.1**

Non-settled forward transactions

In connection with the options transactions, CGME books the premiums on the trade date. On the balance sheet date, this practice results in obligations under futures transactions, which have not yet settled, being reported in the trade balance sheet for currency risks, equity and index risks and other risks.

5.2 Recommendation for the use of the unappropriated balance sheet profit

The Executive Board recommends allocating the annual net profit, as shown as of December 31, 2020 and equaling EUR 16,850,072.46, into the earnings reserve account.

5.3 Other financial obligations

The other financial obligations for the next years equal EUR 13.4 million. These obligations are mainly obligations arising from rental and lease commitments for certain office spaces.

5.4 Fee for the annual accounts auditor

The total fees charged by the annual accounts auditor for the Fiscal Year encompass the annual accounts auditing services (EUR 1.1 million), expenditures incurred (EUR 0.1 million), other certification work (EUR 0.4 million), tax advisory services (EUR 0.0 million) and other consulting services (EUR 0.0 million).

5.5 Information about the business relations with related enterprises and parties

The companies identified as **related enterprises** were the sole shareholder, CGML, as well as all of its own subsidiaries and affiliated enterprises of the Citigroup Group.

The individuals classified as key management personnel (Executive Board members and Supervisory Board members) of the Citigroup Group are viewed as **related persons**.

The following financial transactions are executed with related enterprises and persons (exclusively group companies)[1]:

[1] Reference is also made to the Executive Board report on relationships with affiliated enterprises in accordance with §§ 312 *et seq.* AktG for the Fiscal Year January 1 through December 31, 2020.

• Money market transactions, investment and borrowing of funds
• Futures transactions involving stocks, currencies, indexes, commodities and precious metals
• Option transactions involving stocks, currencies, indexes, raw materials and precious metals
• Securities transactions (reverse repos and repos)
• Purchase/performance of intra-group services

All transactions were concluded on arm's length terms and conditions.

5.6 Supplementary report

In February 2021, the sole shareholder of CGME, Citigroup Global Markets Limited, London/UK, (CGML), injected additional equity capital pursuant to § 272 (2) no. 4 of the German Commercial Code (HGB) in the amount of USD 700 million, which converts roughly into EUR 576.8 million.

There have been no significant transactions of special importance (*keine wesentlichen Vorgänge von besonderer Bedeutung*) that occurred after the end of the Fiscal Year and that have not yet been included in the annual financial statements.

5.7 Group affiliation

CGME is included in the group of consolidated companies of CGML, whose financial statements are, in turn, included in the consolidated financial statements of Citigroup Inc., New York, 388 Greenwich Street. The consolidated financial statements can be viewed at the website, www.citigroup.com.

5.8 Branches

As of the reporting date, CGME continues to maintain as in the prior fiscal year branches located in London, Paris, Milan and Madrid.

5.9 Governing bodies (officers and directors) of the Company

The CGME **Executive Board** consists of the following members:

- Mr. Stefan Wintels, Frankfurt am Main, CEO and CCO, Bank Director, Chairperson, (until March 31, 2020),
- Ms. Kristine Braden, Frankfurt am Main, CEO, Bank Director, Chairperson (beginning April 1, 2020),
- Mr. Stefan Hafke, Kelkheim, Corporate/Commercial Banking and CCO, Bank Director,
- Mr. Andreas Hamm, Dreieich, COO, Bank Director,
- Ms. Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Legal, Bank Director,
- Mr. Ingo Mandt, Frankfurt am Main, CRO, Bank Director, (until June 30, 2020),
- Mr. Oliver Russmann, Bad Vilbel, CFO, Bank Director,
- Ms. Amela Sapcanin, Frankfurt am Main, CRO, Bank Director, (since July 1, 2020),
- Mr. Christian Spieler, Bad Homburg, Treasury/Markets, Bank Director, (until March 31, 2021).

The **Supervisory Board** consists of the following members:

- Mr. Hans W. Reich, Kronberg, Bank Director (retired), Chairperson, (until April 23, 2020),
- Ms. Barbara Frohn, London, Bank Director, Citigroup Global Markets Limited, London, Chairperson, (since April 23, 2020),
- Mr. Stefan Wintels, Frankfurt am Main, Bank Director, Deputy Chairperson, (since April 2, 2020)
- Mr. Leonardo Arduini, London, Bank Director, Citigroup Global Markets Limited, London
- Mr. James Bardrick, Coggeshal Hamlet, Bank Director, CEO, Citigroup Global Markets Limited, London
- Mr. Tim Färber, Kelsterbach, Bank Employee, Employee Representative
- Mr. Dirk Georg Heß, Friedrichsdorf, Bank Employee, Employee Representative

In addition to her work on the Executive Board, Ms. Kristine Braden also sits on the following supervisory board pursuant to § 340a (4) no. 1 HGB:

- Member of the supervisory board of Bank Handlowy w Warszawie S.A., Warsaw, Poland

5.10 Board member remuneration

Total remuneration for members of the Executive Board in the Fiscal Year (including granted stock options) was EUR 8.1 million. As of the end of the Fiscal Year, pension obligations totaled EUR 3.3 million.

Due to the stock-based remuneration, approximately 25.3 thousand shares in an amount totaling USD 1.6 million, which converts roughly to EUR 1.3 million, were granted as variable compensation.

The total remuneration for the former members of management bodies and their survivors in the reporting year totaled EUR 1.3 million. Funds set aside for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled EUR 22.9 million.

In the recently completed Fiscal Year, expenses for supervisory board compensation benefits in the amount of kEUR 23.9 were incurred. CGME is exercising its elective right under § 286 (4) HGB regarding disclosures about provisions (accrued liabilities) for current pensions and pension expectancies (*Anwartschaften*) of the Supervisory Board members under § 285 (9b) HGB.

As consideration for their work, the members of the advisory board (*Beirat*) received EUR 0.4 million in remuneration in the Fiscal Year.

As of the end of the year, there were no outstanding loans to members of the CGME Executive Board and Supervisory Board.

5.11 Employees

During the Fiscal Year, CGME employed an average of 424 persons. Of that amount, 406 were full-time employees and 18 persons were part-time employees. No trainees were on staff.

The average number of employees in Fiscal Year working within CGME and its branches can be shown as follows.

	12/31/2020	12/31/2019
Citigroup Global Markets Europe AG	220	212
Citigroup Global Markets Europe AG France Branch	102	94
Citigroup Global Markets Europe AG Spain Branch	47	50
Citigroup Global Markets Europe AG Italy Branch	47	45
Citigroup Global Markets Europe AG UK Branch	8	8
Total	**424**	**409**

Frankfurt am Main, March 25, 2021

Citigroup Global Markets Europe AG

Kristine Braden (CEO)	Stefan Hafke
Andreas Hamm	Dr. Jasmin Kölbl-Vogt
Oliver Russmann	Amela Sapcanin
Christian Spieler	

Country by Country Reporting pursuant to § 26 a of the German Banking Act (*Kreditwesengesetz*)

for the Fiscal Year

as of December 31, 2020

The report for the fiscal year from January 1, 2020 through December 31, 2020 presents the revenues accrued, the pre-tax earnings, the taxes on earnings and the number of employees for every Member State of the EU and non-EU countries in which CGME maintains a branch or a registered office. In the recently completed fiscal year, CGME maintained four branches that were located in the United Kingdom, France, Italy and Spain.

Revenue is stated as the sum of net interest income, current income, net commission income, net income from trading operations and other operating income as of the end of the fiscal year. The number of employees is stated on the basis of full-time employee equivalents.

Amounts in € millions	**Germany**	**France**	**Italy**	**Spain**	**United Kingdom**
Revenue	233.1	53.2	32.5	35.4	0.0
Earnings before taxes	53.6	-17.6	-0.9	6.6	-3.2
Taxes on earnings	-20.1	-0.8	-	-0.6	-0.2
Public subsidies received	-	-	-	-	-
Number of employees	218	102	47	47	8

Company	**Type of activity**	**Registered office /location**	**Country**
Citigroup Global Markets Europe AG	Bank	Frankfurt am Main	Germany
Citigroup Global Markets Europe AG France Branch	Bank	Paris	France
Citigroup Global Markets Europe AG Italy Branch	Bank	Milan	Italy
Citigroup Global Markets Europe AG Spain Branch	Bank	Madrid	Spain
Citigroup Global Markets Europe AG UK Branch	Bank	London	United Kingdom

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor’s Report

To Citigroup Global Markets Europe AG, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Citigroup Global Markets Europe AG, Frankfurt am Main, which comprise the balance sheet as at December 31, 2020, the statement of profit and loss, the statement of cash flows and the statement of changes in equity for the financial year from January 1 to December 31, 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Citigroup Global Markets Europe AG for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the Corporate Governance Statement pursuant to Section 289f (4) in conjunction with Section 289f (2) no. 4 HGB, which is included in the section “Corporate Governance Statement pursuant to § 289f (4) in combination with § 289f (2) no. 4 of the German Commercial Code” of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to financial institutions and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020 in compliance with the German Legally Required Accounting Principles, and

– the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the Corporate Governance Statement referred to above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate opinion on these matters.

Determination of fair values based on valuation models for the valuation of the trading portfolio

Please refer to Section “3. Accounting and Valuation Methods” in the notes to the financial statements for information on the accounting policies of Citigroup Global Markets Europe AG that have been applied. Please refer to subsection “4.1.3. Trading portfolio assets and liabilities” in the notes to the financial statements for the composition of the derivates business of the assets and liabilities held for trading.

THE FINANCIAL STATEMENT RISK

The transactions of the trading portfolio are measured at fair value and concern issues of warrants and certificates, the related hedges, e.g. OTC and exchange-traded derivatives, as well as any repurchases arising from the market maker activity. Furthermore, the trading portfolio includes derivative financial instruments as well as shares and other non-fixed-income securities. At 67% and 66% respectively (in absolute terms EUR 46,751 million and EUR 46,503 million) of the total assets, the assets and liabilities held for trading reported in the balance sheet items are the largest items in the annual financial statements of Citigroup Global Markets Europe AG.

In some cases, market prices are not observable for warrants, certificates, and OTC derivatives. The fair values then have to be determined on the basis of recognized valuation methods. The selection of the valuation models and their parameterization are subject to accounting judgments. The risk for the financial statements is here in particular that an appropriate valuation model and valuation parameters are not used to determine the fair values and the trading portfolio and also the net trading income are not measured and determined in this respect in accordance with the accounting requirements.

OUR AUDIT APPROACH

Based on our risk assessment and the assessment of the risks of errors, we performed control-based audit procedures and substantive audit procedures to support our audit opinion. Accordingly, we performed the following audit procedures, among others:

In a first step, we gained a comprehensive insight into the performance of the financial instruments of the trading portfolio, the related risks and also the internal control system in relation to the evaluation of the financial instruments of the trading portfolio.

In order to assess the appropriateness of the internal control system in relation to the evaluation of the financial instruments of the trading portfolio for which no market prices can be observed, we carried out inquiries and inspected the relevant documents. After this test of design was carried out, we conducted function tests to check the effectiveness of the controls that have been set up.

The audit of controls extended in particular to whether the models were validated independently of trading both when they are introduced and on a regular or ad hoc basis. Using a sampling procedure, we audited whether the validations are carried out and documented properly and whether the measurement model that is implemented and also the measurement parameters that are incorporated in it are suitable and appropriate for the product in question. We furthermore audited the control of the measurement of the trading transactions by a department independent of trading using parameters obtained from third parties.

Our valuation specialists additionally carried out a remeasurement for a selection of products determined on the basis of materiality and risk perspectives and compared the results with the values calculated by the bank. Price and market information that was observable on the market was used as far as possible in this remeasurement.

OUR OBSERVATIONS

The valuation models used to determine the fair values of the trading portfolio for which prices cannot be observed on the market are appropriate and are consistent with the valuation principles to be applied. The Company's measurement parameters underlying the measurement are appropriate on the whole.

Settlement of intragroup services.

Please refer to Section 3 in the notes to the financial statements for information on the accounting policies of Citigroup Global Markets Europe AG that are applied.

THE FINANCIAL STATEMENT RISK

Of the commission income totaling EUR 265.0 million, EUR 172.1 million is attributed to broker's commission from affiliated companies. The commission expenses total EUR 42.5 million and essentially include amounts from the intragroup offsetting of the transfer pricing. The other operating income amounts to EUR 99.3 million and includes income from recharging expenses to affiliated companies totaling EUR 77.9 million.

Because the work within Citigroup is divided throughout the world to a large extent, great importance is ascribed to intragroup service relationships both in the provision of the primary banking services and in the services performed by support functions. Settlement is carried out in respect of all companies of Citigroup, where the settlement process, the number of transactions to be settled, and the calculation of the settlement amount can vary significantly depending on the service. The risk for the financial statements consists here in the fact that service relationships with the other companies of Citigroup may be recorded incorrectly and that the correct amount of the relevant income and expenses is thus not recognized.

OUR AUDIT APPROACH

Based on our risk assessment and the assessment of the risks of errors, we performed control-based audit procedures and substantive audit procedures to support our audit opinion. Accordingly, we performed the following audit procedures, among others:

We first of all obtained an insight into the material product lines and services of Citigroup Global Markets Europe AG, the calculation models provided for these and the related risks. We subsequently gained an understanding of the processes used to record, settle, and account for the intragroup services performed and the internal control system set up in this connection.

To assess the appropriateness of the internal control system, we made inquiries and inspected the relevant documents. The controls judged to be relevant for our audit aimed in particular at ensuring that the income and expenses from intragroup service relationships and their settlement are correct. After this test of design was carried out, we conducted function tests to check the effectiveness of the controls that have been set up.

Finally, we conducted substantive audit procedures to test whether manual closing entries are appropriate by making inquiries with the staff responsible for these and by inspecting the underlying documentation. For services that are remunerated based on the revenue or fee split method, we audited for one sample whether the services were remunerated mathematically correctly in accordance with the Group-wide and documented transfer pricing methodology.

OUR OBSERVATIONS

The measures implemented at the bank are suitable for recognizing income and expenses from intragroup services correctly in the annual financial statements of Citigroup Global Markets Europe AG.

Other Information

Management is responsible for the other information. The other information comprises the Corporate Governance Statement pursuant to Section 289f (4) in conjunction with Section 289f (2) no. 4 HGB (disclosures on the quota for women).

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to financial institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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 provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the 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 annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes

We have performed assurance work in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, „citigroup-globalmarkets_188412.zip" (SHA256-hash value: 4486d1a7d7aff2d0cc1c24675738d1b40184d94b9b6d3d83916d890717fed25f) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from from January 1 to December 31, 2020 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above.

We conducted our assurance work of the reproduction of the annual financial statements and the management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) sentence 4 item 1 HGB.

In addition, the Company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Company's management is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and the audited management report.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on April 23, 2020. We were engaged by the chair of the Supervisory Board on February 12, 2021. We have been the auditor of Citigroup Global Markets Europe AG, Frankfurt am Main, and its legal predecessors in title without interruption for more than 28 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU Audit Regulation (long-form Audit Report).

In addition to the financial statement audit, we have provided to the Company the following services that are not disclosed in the annual financial statements or in the management report:

- Audit of the securities services business in accordance with Section 89 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act)
- Tax advisory in connection with transfer pricing

– Consent letter to include our independent auditor's report for the financial year from January 1 to December 31, 2019 in a listing document for the Hong Kong Stock Exchange.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Dielehner.

Frankfurt am Main, April 1, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dielehner	Dr. Niemeyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report by the Supervisory Board of Citigroup Global Markets Europe AG (CGME)

For the financial year 1 January to 31 December 2020

The past financial year featured significant global challenges which affected the operating environment for CGME. The Supervisory Board has been impressed by the way CGME was able to respond and adapt to the unprecedented challenges and complexity from the Covid-19 pandemic as well as the implications of Brexit during the year. The sound leadership of the Management Board helped CGME to navigate the associated shift to working from home, and to ensure the safety and well-being of employees. CGME continued to serve and support its customers and markets during this time of significant volatility. The stability of CGME's capital, liquidity and people during the pandemic was a reassuring and clear sign of the bank's resilience and ability to adapt.

During the year the Supervisory Board had information provided to it on an ongoing basis by the Management Board in relation to performance against strategy, compliance with applicable laws and regulations and the development of business and risks during the financial year. The unprecedented circumstances resulted in forecasts having to be revised more than once due to market volatility and shifting client plans in the investment banking area. This, in conjunction with having to process material client migration in preparation for the Brexit transition, meant that the Supervisory Board requested and received regular updates relating to earnings, liquidity, capital management and the risk profile of the bank.

As in previous years, the Management Board provided, upon our request, in-depth reporting on several topic areas. We deliberated on these matters, also with experts and together with the Management Board. The main topics included, among others:

- The implementation and execution of Brexit plans,
- Preparations for direct ECB supervision,
- The capital plan and the 'path to profitability',
- The strategic plan and the organizational structure of the company,
- Risk management: comprehensive status updates of risk inventory and a forward looking overview of enhancements to risk governance and emerging risks and issues,
- The outsourcing of services, and
- Implementation of improved governance processes including the creation of the CGME UK branch, sub-branch Belfast.

In addition, the Supervisory Board dealt with numerous changes in the law and regulations, including interim measures related to Covid-19. Most importantly, the bank has been making significant preparations for the Brexit target operating model and the anticipated shift to ECB supervision.

The Supervisory Board also monitored the management of the company in accordance with the provisions in the law, the articles of association of the company and the rules of procedure for the Supervisory Board.

Personnel

The Supervisory Board consists of 6 members under the articles of association. The composition of the Supervisory Board changed in the reporting year. Hans W. Reich resigned his office as the Chairman of the Supervisory Board effective as of 23 April 2020. Barbara Frohn succeeded him as Chair on 23 April 2020. Stefan Wintels joined the Supervisory Board from the Management Board and was also appointed as Vice-Chairman.

The Supervisory Board met for four regular meetings in the financial year. The subject of all regular meetings of the Supervisory Board consisted of the regular reports from the Management Board about the current and forward-looking situation for the company. Circular votes were used on three occasions.

In addition, the Supervisory Board held 2 extraordinary meetings.

The "*Nomination Committee*"[1] met three times in 2020 (in August, September, and October). It addressed, in particular, issues related to succession and appointments while taking into account statutory and regulatory requirements, and it nominated specific candidates for the Management Board. The committee has also reviewed the contractual framework for management board appointments (external vs. internal hires, tenure, etc.)

The "*Remuneration Committee*"[2] met three times in 2020 (in January, November, and December). It monitored the appropriate structuring of the remuneration systems for CGME employees. The "*Remuneration Committee*" has considered the remuneration of the Management Board, in consideration of the targets and objectives agreed for the financial year, as well as proposals for the targets and objectives for the Management Board for the forthcoming financial year. Preceding a discussion on the 2020 remuneration proposals for the individual Management Board members, the Supervisory Board discussed and evaluated the results of a benchmarking exercise conducted by an external consultancy in a separate meeting.

The further development of the leadership structure for the company also involved changes in the members in the Management Board.

Kristine Braden was appointed as CEO of CGME on 1 April 2020, based in Frankfurt. Her experience in senior executive roles across the Citi franchise is an invaluable addition to the leadership of CGME.

Amela Sapcanin was appointed as CRO of CGME and Germany, based in Frankfurt on 1 July 2020, replacing Ingo Mandt. Ms Sapcanin joined the Management Board of CGME, and remains a member of the EMEA Risk Executive Management team. Her experience will facilitate CGME's transition to the new post-Brexit structure, especially with regards to the build-out of our risk management capabilities. Furthermore, during the second half of 2020, it became clear that Christian Spieler would leave as Head of Markets and cease membership of CGME's Management Board in the first quarter of 2021.

The Supervisory Board resolved not to establish, for the time being, any separate Supervisory Board subcommittees, but proposals for further Supervisory Board governance enhancements are currently being discussed with the Management Board. Depending on further developments regarding CGME's future target state in the post-Brexit era, one or more subcommittees will be established.

The annual financial statements and the management report for the financial year beginning on 1 January 2020 and ending on 31 December 2020 have been audited together with the accounting by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and they were found to be in accordance with the provisions in the law as well as the articles of association. The annual financial statements and the management report have been fully certified.

The Supervisory Board directed KPMG to conduct a special audit in the context of the Brexit transition. Within the context of the audit efforts related to compliance with relevant AML regulation, KPMG was mandated to give particular consideration to the KYC processes in the course of migrating customers from Citigroup's UK legal entities to CGME. The Supervisory Board notes that no material findings resulted from this special audit.

The Supervisory Board approves the KPMG audit report and has noted a marked improvement compared to 2019, with a significant reduction in new material findings and substantial remediation of

[1] Whilst the CGME supervisory board has not elected to establish a nomination committee (NomCo) as of yet, any topics pertaining the appointment of members of the board of management of CGME will be dealt with in meetings with reference to "NomCo" as working title.

[2] Whilst the CGME supervisory board has not elected to establish a remuneration committee (RemCo) as of yet, any topics pertaining the regulated remuneration of members of the board of management of CGME will be dealt with in meetings with reference to "RemCo" as working title.

last year's findings. The Supervisory Board thanks the Management Board for its role in achieving this year's satisfactory audit report.

No objections are raised after the final result of the audit of the annual financial statements and the management report made by the Supervisory Board and the explanations provided by the auditor. The Supervisory Board approved the annual financial statements for the financial year as well as the management report submitted by the Management and the proposal on the distribution of the balance sheet profit submitted by the Management Board in the extraordinary meeting of the Supervisory Board on 23 April 2021.

The Supervisory Board thanks the members of the Management Board and all employees for their service and contribution to achieving the targets set for the company in the last financial year, an exceptional year where much was asked of employees.

London 23 April 2021

The Supervisory Board

Barbara Frohn

- Chair of the Supervisory Board –