

CITIGROUP GLOBAL MARKETS LIMITED

(Registered Number: 01763297)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2021

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

The Directors present their strategic report on Citigroup Global Markets Limited (CGML or the Company) on a standalone basis for the year ended 31 December 2021.

1. Introduction

CGML is a wholly owned, indirect subsidiary of Citigroup Inc, limited by shares. It is Citi's international broker dealer, providing products and services for institutional clients. It is a market maker in equity, fixed income and commodity products across cash, over-the-counter (OTC) derivatives and exchange-traded markets, as well as a provider of investment banking, capital markets and advisory services. CGML operates globally, generating the majority of its business from the Europe, Middle East and Africa (EMEA) region with the remainder coming from Asia and the Americas.

CGML is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). CGML is also a Commodity Futures Trading Commission (CFTC) registered swap dealer, and United States Securities Exchange Commission (SEC) registered security-based swap dealer, and is considered a Risk-Taking Operating Material Legal Entity in Citi's Global Resolution Plan. As at 31 December 2021, it had five branch offices and four subsidiaries, listed below. These are not materially active except for the Israel branch, Citigroup Global Markets Europe AG, and Citigroup Global Markets Funding Luxembourg SCA. The Italy branch of CGML is currently in liquidation, which is expected to be completed in 2022. Changes after the reporting period are discussed in the Strategic and Directors' Reports and in Note 34 'Events after the reporting period'.

EU Branches	Subsidiaries
Czech Republic	Citigroup Global Markets Europe AG (Germany)
Italy (in liquidation)	Citigroup Global Markets Funding Luxembourg SCA (Luxembourg)
Non-EU Branches	Citigroup Global Markets Funding Luxembourg GP S.a.R.L. (Luxembourg)
Israel	Citi Global Wealth Management S.A.M. (Monaco)
Switzerland	Citigroup Global Markets Luxembourg S.a.R.L. (Luxembourg) (liquidated on 7 December 2021)
UAE	

CGML's business supports the Institutional Clients Group (ICG) segment of Citi's operations and is almost entirely wholesale in nature, with a client base that encompasses corporates, financial institutions, institutional and other investors, as well as governments and public sector entities. CGML's principal business activities are summarised below:

Business

Activities

Global Rates and Currencies

Makes markets and facilitates client activity across interest rate products in traded markets, including sovereign and supranational bonds, inflation bonds, and interest rate, cross currency and inflation derivatives. The business conducts much of its client facing activity on CGML with some market risk transferred to other Citi affiliates.

Facilitates local and international client demand for flow foreign exchange (FX) products, such as spot and forward contracts, short term interest rate products, and interest rate and currency derivatives. FX risk is largely warehoused on other affiliated Citi entities, with CGML acting in a client facing capacity. In particular, the business utilises CGML to access non-US primary market liquidity pools in non-deliverable forward contracts and FX options.

Global Spread Products

Provides clients with access to investment grade, high yield and distressed bond markets, as well as credit derivatives and structured credit products.

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STRATEGIC REPORT

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1. Introduction (continued)

<i>Business</i>	<i>Activities</i>
Global Equities Markets	<p>Comprises:</p> <ul style="list-style-type: none">• Equity Markets, undertakes market making in, and provides clients with exposure to, equities, convertible bonds, listed and OTC derivatives, structured products, securities financing, and electronic trading.• Multi Asset Group develops asset-based investment and hedging solutions for distributors and institutional investors, with a particular focus on insurance companies, asset managers (including hedge funds) and pension funds.• Prime Finance, provides globally co-ordinated prime brokerage services to clients, including securities lending, margin financing, reporting, clearing, custody and structured financing solutions.• Delta One, which provides access, financing, and investment solutions to a broad spectrum of clients (institutional, corporates and hedge funds) via synthetic products such as swaps, exchange-traded funds (ETFs) and access products.
Securities Services	<p>Futures and OTC Clearing, which provides clients with access to global liquidity venues, global execution on all major futures exchanges, multi-asset clearing services on global central counterparties (CCPs) and delivery of collateral solutions.</p>
Global Commodities	<p>Acts as a principal in commodity markets worldwide, providing risk management services to clients, acting as a liquidity provider and providing investor solutions and working capital facilities for commodity inventories.</p>
Banking, Capital Markets and Advisory (BCMA)	<p>BCMA provides structuring and syndication of securities and financing transactions in the bond capital markets and delivers equity and equity-linked solutions in financing acquisitions, funding capital expenditures, managing liabilities, monetising assets, and hedging exposures. The business also provides advisory services to clients in relation to mergers and acquisitions, corporate broking and the raising and restructuring of capital.</p>

A number of CGML's functional operations are carried out in locations outside London, including at Citi Service Centres in Belfast, Budapest, and Warsaw. In addition, CGML makes use of a number of affiliated and third party outsourcing arrangements within and outside EMEA.

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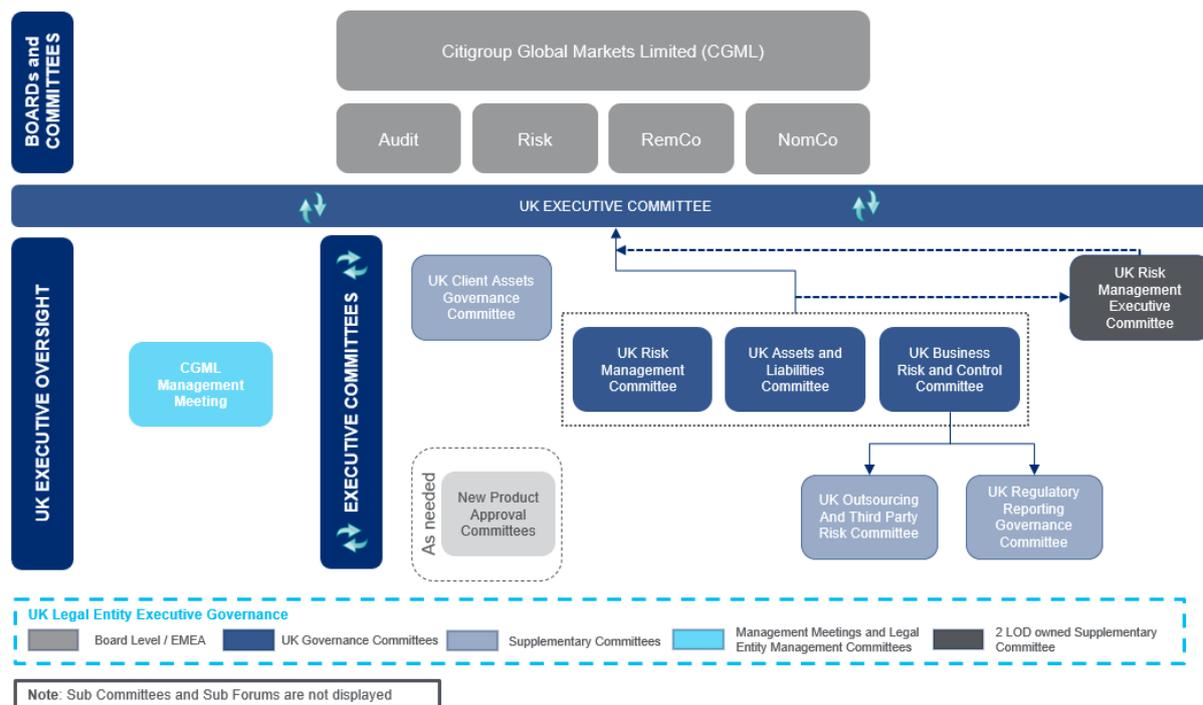
STRATEGIC REPORT

for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks

For the year ended 31 December 2021, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

The chart below highlights the main components of CGML's governance structure, within Citi's regional and UK management and governance framework during 2021:



Principle 1 – Purpose and Leadership

Purpose

CGML's purpose, in line with that of Citi, is to serve as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress. CGML's core activities are being a dealer, market maker and underwriter and providing advisory services. Whilst carrying out these activities, it ensures that actions are always in its clients' interests, create economic value and are systemically responsible.

Strategy

CGML's strategic purpose was formalised with the adoption of an annual Strategy Day, under the direction of the Board of Directors (the Board). The Strategy Day looks at the year ahead and drives the Board agenda setting. The Strategy Day is an example of ensuring good dialogue with the CGML workforce and wider stakeholders. The key strategic priorities for CGML for the year ended 31 December 2021 were as follows:

- Deliver client excellence as Citi's international broker-dealer;
- Improve infrastructure to drive resilience, efficiency and a great client experience;
- Make strong governance and controls a cornerstone of CGML's success;
- Attract, retain and develop talent and shape good culture and conduct; and
- Efficient utilisation of financial resources.

The CGML Strategic and Financial Plan 2021-2023 was documented and approved by the CGML Board following the Strategy Day and is used to clearly articulate the CGML strategic priorities internally.

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STRATEGIC REPORT

for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 1 – Purpose and Leadership (continued)

Values and Culture

The Board and senior management are instrumental in shaping good culture and conduct for the Company. The Company's Leadership Principles (take ownership, deliver with pride, and succeed together), represent the qualities, behaviours and expectations employees must exhibit to deliver on the mission of enabling growth and economic progress. Employees contribute to creating a culture that drives client excellence, controls excellence and operational excellence.

Diversity and Inclusion are recognised as part of CGML's core values and the Company needs a culture in which employees hold themselves accountable for managing risk and where they continue to take pride in always doing the right thing. Doing the right thing includes taking ownership and showing empathy for colleagues, clients and communities, treating others with respect and civility, and continuing to invest in colleagues from all backgrounds, valuing and learning from different perspectives and breaking down barriers. CGML monitors and measures its 'cultural health' and conduct at governance and management meetings and uses a range of measures to help adjust and improve itself.

Citi's Code of Conduct prohibits discrimination and harassment and highlights procedures for speaking up and reporting concerns about conduct or situations that may put the Company or its customers at risk. For further details please see the Mission and Strategy section on page 11.

Principle 2 – Board Composition

The details of each member of the Board during the year ended 31 December 2021 can be found in the Directors' Report on page 21.

Chair

To ensure that the balance of responsibilities, accountabilities and decision making across the Company are effectively maintained, CGML has appointed a separate Chair and Chief Executive.

Size and Structure

As at 31 December 2021, the Board consisted of six Executive Directors and four Independent Non-Executive Directors.

The Executive Directors are:

- James Bardrick - CGML Chief Executive Officer (CEO)
- Frank Mannion - EMEA Chief Financial Officer (CFO)
- Leonardo Arduini - EMEA Head of Markets
- Anne-Maree Tassell - EMEA Head of Operations and Technology (O&T) and Chief Information Officer
- Zoe Wimborne - EMEA Chief Risk Officer (CRO)
- Deepak Jain - Global Head of Independent Compliance Risk Management (ICRM) Special Projects

The Independent Non-Executive Directors are:

- Jonathan Moulds - Chair of CGML Board, Chair of CGML Nomination Committee and Interim Chair of Remuneration Committee
- William Fall - Chair of CGML Risk Committee
- Sally Clark - Chair of CGML Audit Committee
- Diana Taylor - Group representative from Citigroup, Inc. Board

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for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 2 – Board Composition (continued)

During Q3 2020 the CGML Board carried out an external Board Effectiveness Review to ensure the Board is focused on preparation for the future and has in place a long-term roadmap for development. The composition of the Board changed during 2021 to ensure that the size and composition was appropriate for the scale, complexity, regulatory oversight, and systemic importance of CGML within Citi. The EMEA Chief Risk Officer, Zoe Wimborne, and EMEA Head of O&T and Chief Information Officer, Anne-Maree Tassell, joined the Board as Executive Directors. Jonathan Moulds, William Fall and Sally Clark joined the Board in February 2021 as Independent Non-Executive Directors (see their respective titles above). Each new Board Director brings a wealth of experience in the financial services industry and subsidiary governance. Jonathan Moulds joined as the Senior Independent Director taking over as Chair when Cyrus Ardalan resigned in November 2021.

The Independent Non-Executive Directors bring experience in risk, finance and audit, in addition to perspectives and challenge from their roles within the industry and also outside the sectors in which CGML operates. All Directors have access to the advice and services of the Company Secretary's office and may, if they wish, take professional advice at the Company's expense. The duties of the Board are executed partially through committees. The Independent Non-Executive Directors attend and act as chair to relevant committees (as noted on page 6) so that they are able to challenge and influence a broad range of areas affecting CGML. One Non-Executive Director, Diana Taylor, is also a Non-Executive Director of the ultimate parent, Citigroup Inc.

The Board comprises and is supported by nine of Citi's UK Senior Managers (as defined under the Senior Manager and Certification Regime (SM&CR) from the PRA and the FCA) including the relevant EMEA business heads together with the Regional heads of Finance, O&T and Risk. Three of the four Non-Executive Directors are Senior Managers and they are subject to all aspects of the SM&CR, including regulatory pre-approval, conduct rules and the statutory duty of responsibility.

The SM&CR focuses on a small number of individuals (Senior Managers) who hold key roles or have overall responsibility for whole areas of relevant UK entities and branches. Senior Managers require regulatory pre-approval to perform a Senior Management Function (SMF). The SM&CR requires Senior Managers to take reasonable steps to avoid a breach occurring or continuing. As part of the Individual Accountability Regime (of which the SM&CR is a part), CGML maintains a Management Responsibilities Map which documents the firm's governance arrangements.

Balance and diversity

There has been significant improvement in the gender diversity of the Board with the percentage of female Directors increasing from 12.5% in 2020 to 40% during 2021. We acknowledge that there is a relative lack of diversity on the Board for other categories beyond gender and recognise that this is a challenge across the financial services industry. Citi is committed to making the Company an ever-more inclusive environment, thereby fostering a more diverse workforce which should increase diversity at the most senior levels. We will be demonstrating our commitment to this area with various initiatives and ensuring CGML is increasingly viewed as an employer of choice

Effectiveness

The Board operates on a quarterly meeting cycle every year together with two additional days for Board Strategy, and more often as required. The Committees meet more frequently with six to eight meetings per year. In addition to the quarterly meetings, the Board receives technical training in the form of in-depth and targeted education sessions that cover a variety of topics including Technology, Cyber, Operational Resilience, and Resolution.

The Board ensures it has the relevant knowledge and skills to fulfil its responsibilities and keep pace with growth and innovation. The Board undertakes an annual a skills assessment exercise and has used the resulting gap analysis to inform its succession planning and continuing education programme for the year ahead.

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2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 2 – Board Composition (continued)

The Board considers these exercises important in order to identify key areas for future opportunities and improvements. The Board of CGML is focused on being equipped to meet tomorrow's challenges, opportunities and emerging risks, the rapidly changing market, the evolution of competition, trends in its clients' business models and experience expectations, and the effect of new technologies.

Principle 3 – Director Responsibilities

Accountability

CGML adheres to and seeks to exceed the corporate governance standards expected from a regulated firm of its size and structure. It recognises that success is measured in large part by its ability to deliver a progressive and effective governance model that is both adaptive to the pace of change and robust enough to withstand the challenges it faces. The governance model also reflects the need to demonstrate influence and oversight of areas where the Board relies on other parts of the group to achieve the outcomes needed to deliver its own strategies. It requires the senior executives of CGML to design and operate an effective governance environment coupled with a strong culture of risk management and controls to support good decision-making.

To maintain a progressive and leading governance culture the Board will develop alongside the business it governs. As outlined in Principle 2, the Board welcomed the independent reviews for both board and executive governance throughout 2020 which helped benchmark and evaluate its performance and relevant skills, and assess its suitability to fulfil its duties towards its shareholder and key stakeholders. The Board expects executive management to undertake regular self-assessments for themselves, designed to support and enhance improvements and adopt a culture of continuous development.

The Board delegates authority for oversight of the day-to-day management of the Company to the UK Executive Committee which meets monthly. It is chaired by the Citi EMEA Chief Executive Officer and SMF 7 Group Entity Manager and membership includes the key UK Senior Managers. CGML also has a dedicated monthly management meeting, chaired by the CEO of CGML to discuss specific legal entity focused matters.

Committees

The Independent Non-Executive Directors are independent and have no material business or other relationships with the Company that might influence their independence or judgement. Certain governance responsibilities are delegated to other Board committees: Audit, Remuneration, Nomination and Risk. Each of these Board committees are chaired by Non-Executive Directors and have a separate charter, which include the authorities delegated to them by the Board.

Integrity of Information

The Board receives regular and timely information (at least monthly via calls or meetings with the CGML CEO on all key aspects of the business including its financial performance, risk management, control environment, market and competitive conditions, Citi Global and EMEA developments and global and local governance and regulatory priorities. CGML's management are responsible for the integrity of this information and individuals are provided with the necessary training to keep up to date with regulatory changes. The Company's financial statements are subject to an external audit by KPMG LLP on an annual basis, and controls are periodically reviewed by CGML's internal audit function. Other key information is prepared by the relevant internal function.

Opportunity

Long-term strategic opportunities are identified in the CGML Strategic and Financial Plan process which is reviewed, discussed and challenged by the Board annually.

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STRATEGIC REPORT

for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 4 – Opportunity and Risk

Risk

CGML's principal risk types arise from the nature of the services provided to its clients and include both financial and non-financial elements. The principal risk types identified by management and covered by CGML's Risk Management Framework are noted as follows:

- reputational risk;
- strategic risk;
- market risk;
- liquidity risk;
- credit risk (mainly in the form of counterparty credit risk);
- operational risk (including conduct risk); and
- compliance risk.

The Risk Committee ensures that the principal financial and non-financial risks and emerging risks are identified and managed appropriately and in a timely manner. The Committee meets at least quarterly and updates the risk register for any changes in underlying conditions. The Committee continues to refine and enhance the Company's Risk Management Framework and risk registers and works to ensure consistency across operations. The Risk Committee reports to the Board on a quarterly basis.

Responsibilities

The Board and the Risk Committee are responsible for ensuring that senior management consider the external factors and dependencies on group-wide initiatives that may impact CGML's strategic opportunities. CGML's most valuable resource is its staff, so it closely monitors the impact of its strategy on the capability and resources availability within its talent pool. Risks are managed and mitigation plans designed and executed using CGML's detailed Risk Management Framework. The key external factors that the Board monitors are as follows:

- Geopolitical and economic factors that impact growth opportunities and financial returns. CGML took steps to minimise client and market disruption that might arise as a result of the UK's withdrawal from the European Union and the direct and indirect consequences of COVID-19 and the conflict in Ukraine;
- Rapid technological development that presents opportunities to improve client service but also creates the potential for industry wide change and exposes CGML to high impact risk (Cyber, IT resilience, Data Management). Operations & Technology have a critical role to enable CGML both to enhance offerings and to protect against negative disruption and to manage a significant pace of change; and
- The global and local regulatory environment, which requires governance and a strong compliance function to have oversight and collaboration with the first line and is capable of managing multiple priorities across a range of regulatory initiatives, including the timely completion of remediation and targeted improvements, addressing LIBOR transition, the finalisation of Basel III, Operational Resilience Third Party and inter affiliate outsourcing and Climate Risks, amongst others.

Principle 5 – Remuneration

The Remuneration Committee aims to set remuneration at a level that will enable it to secure and retain executives who can deliver the Company's strategy.

The Remuneration Committee is responsible for making recommendations to the Board concerning the Company's remuneration strategy, recruitment framework and long-term incentive plans for senior executives. Pay is aligned with performance and taking into account fair pay and conditions across the Company's workforce.

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2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 5 – Remuneration (continued)

The Company completed its fifth annual UK Gender Pay Gap Report based on 2021 remuneration. These Reports have highlighted areas which the Company can improve on and the Company is continuing to take steps to reduce the gender pay gap. Citi have signed the UK's Women in Finance Charter, and committed to a target to achieve at least 30% female representation among its director and managing director level staff throughout EMEA by 2025. As of the date of the 2021 Report, it was at 26%, up from 19% in 2017. The 2021 Gender Pay Report was published ahead of the UK Government's April 2022 deadline.

In fulfilling its role, the Remuneration Committee has regard to the responsibilities set out under the PRA and FCA Remuneration Codes and takes into account, where applicable, relevant guidance and the long-term interests of shareholders, investors and other stakeholders in CGML.

Principle 6 – Stakeholders

As set out above in Principle 3, the Board is clear that progressive and effective governance is essential to deliver its purpose and to protect CGML and Citi's reputation and relationships with all its stakeholder community including clients, employees, shareholders, suppliers, regulators and the local communities in which it operates.

Details of our key stakeholders and our engagement with them are set out in our Section 172(1) Statement below and are incorporated into this statement.

As at 31 December 2021 CGML had 30 approved UK Senior Managers, of whom 3 were CGML Non-Executive Directors and 6 more CGML Executive Directors. CGML had 3 outgoing UK Senior Managers, subject to the final handover with the incoming UK Senior Manager.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires each Director of the Company to act in a way in which he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters including:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between the Company's members.

The Directors of the Company give careful consideration to the matters referred to in section 172(1) when discharging their legal duties. The Board believes in taking decisions for the long-term benefit of the Company and looks to safeguard the Company's reputation by upholding the highest standards of business conduct. Depending on the issue in question, the relevance of each stakeholder group and other relevant factors may vary. As such, the Board strives to understand the needs and priorities of each stakeholder group and the other factors relevant to the issue in question during its deliberations and as part of its decision-making.

Board members receive periodic refresher training on their legal duties and may seek advice about the implications of these duties at any time from our Company Secretary. New Directors are offered a comprehensive induction programme which includes information on their statutory duties.

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STRATEGIC REPORT

for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks (continued)

Principle 6 – Stakeholders (continued)

To ensure the most efficient and effective approach, stakeholder engagement is led by Citigroup, in particular where matters are of group-wide significance or have an impact on Citigroup's reputation including our clients, shareholders, staff and global regulators.

The CGML Board considers and discusses information from across the organisation to help it understand the impact on CGML's operations and the interests and views of its key stakeholders. The Board also reviews strategy and financial performance as well as operational and financial risks and regulator priorities. The Board receives this information in advance of each quarterly meeting, during monthly calls with the CGML Chief Executive Officer and by holding an annual Strategy Day. The CGML Board receives regular reports from the Citigroup parent Board Non-Executive Director and from the Citigroup EMEA Regional CEO at its Board meetings.

Using all of the above actions, the Board has an overview of engagement with stakeholders which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

Key stakeholder engagement

Clients

The CGML Board receives regular reporting of client performance and themes, allowing an understanding and oversight of the direction of client sentiment. Citi performs a Voice of the Client survey which provides in-depth understanding of our corporate clients' needs and expectations, alongside regular client performance and service benchmarking, leveraging external reporting and analysis where appropriate. The businesses within CGML operate a globally coordinated client-centric sales and relationship management organisation focussed on generating profitable and responsible growth and building market share with some of the most important organisations across the globe.

Employees

CGML embraces Citi's mission of enabling growth and economic progress, while adhering to the highest ethical standards. We ask our colleagues to ensure their decisions pass three tests: they are in our clients' interests, create economic value, and are always systemically responsible. An informed and engaged workforce is critical to delivering positive outcomes for all our stakeholders. The physical and mental health and safety of CGML's employees and their families, as well as its clients and the communities it serves, are of the utmost importance. As the COVID-19 pandemic continued in 2021, CGML and Citi took proactive measures to support colleagues' well-being, while maintaining their ability to serve clients. As always, colleagues are encouraged to present their suggestions and views to CGML through various channels, including an employee representative body and the Voice of the Employee survey, the results of which are presented to the Board each year by Human Resources. The Board has requested and received presentations on areas such as employee resilience and mental health in response to identified areas of focus.

Suppliers

CGML works to maintain fair, resilient and professional working relationships with its suppliers. CGML has a well-established framework for the engagement with and on-going relationship management and controls relating to risks of its key suppliers, ensuring shared values in the conduct of their business. The Modern Slavery Act 2015 ("the Act") obliges the CGML Board to make an annual statement on the reasonable steps taken to ensure that its own operations and supply chains are free of human trafficking and modern slavery. CGML has made annual statements of this nature since the Act came into force. The Board reviews and challenges the due diligence which underpins the statement each year and is kept informed of any improvements made by Citigroup.

The information relating to the Modern Slavery Act, as required by the Modern Slavery Act 2015, will be published at <https://www.citibank.co.uk/personal/home.do>.

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2. CGML Corporate Governance Report and Principal Risks (continued)

Key stakeholder engagement (continued)

Regulators

CGML maintains an open and regular engagement with regulators to ensure clarity and transparency over its strategy and plan, key risks and opportunities, and progress on ongoing initiatives. Regulatory engagement is maintained both at the Board as well as the Executive Management level to ensure regulatory requirements and expectations are consistently understood and met. Primary regulatory engagement for CGML is with the PRA/Bank of England and FCA supervisory teams and senior management, in addition to engaging with the CFTC and SEC internationally. Further, CGML is providing ongoing updates to the regulators on the impact of COVID-19 on its clients, markets, employees, financials, liquidity, risk measures and operational/technology capabilities and resilience.

Communities

In pursuit of Citi's mission, CGML is committed to enabling growth and progress in the communities where we operate. Citi is in regular dialogue with charities and non-governmental organisations (NGOs), as part of its philanthropic commitment and mission to support the communities in which it operates. Citi works closely with community partners to understand the issues local communities are facing so that it can respond appropriately by providing funding, volunteers or other support as required. Specifically Citi has a focus on supporting disadvantaged young people into employment whether they are from less privileged backgrounds, refugees, young people affected by youth violence or young people with disabilities. The CGML workforce dedicate time through the annual Global Community Day and the London Charity Partner programme, which in 2021, Citi raised over £100,000 for the Guide Dogs charity, in addition to supporting other Citi charitable initiatives in the UK and overseas. Many of these are also supported financially by the Citi Foundation including Career Ready and Teach First. Engagement with local communities allows CGML to understand better the needs and requirements of society enabling it to innovate for the future.

Environment

Citi recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities. Initiatives designed to minimise CGML's impact on the environment include safe disposal of waste, recycling and reducing energy consumption. The Board has been actively engaged regarding the implementation of the CGML response to the Prudential Regulation Authority's Supervisory Statement on Climate Change SS3/19 on managing the risks from climate change. CGML continues to make progress on embedding the entity's approaches to strengthening governance, incorporating climate change into risk management frameworks, conducting scenario analysis, and enhancing disclosures for climate change-related risks.

Government and Policymakers

CGML engages regularly with a wide range of external stakeholders including policymakers, media, clients and NGOs. CGML follows Citigroup's approach that responsible corporate citizenship includes holding an ongoing dialogue with its stakeholders, and contributing insights, information and thought leadership towards the public policy environment that CGML operates within.

As part of Citi, CGML engages with policymakers both directly and as part of industry efforts, as a member of a number of financial services trade associations. As part of Citi, CGML complies with all relevant transparency requirements, at both the European Union and various individual country level. Details of Citi's entry in the EU's Transparency Register can be found at: <https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=00353757573-57>.

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for the year ended 31 December 2021

2. CGML Corporate Governance Report and Principal Risks (continued)

Key stakeholder engagement (continued)

CGML takes its responsibilities as a corporate citizen seriously, using its corporate voice to take a stand on issues that matter to its clients, employees and other stakeholders. These range from a continued commitment to the Paris Agreement, to the support of immigrants from around the world in the workforce and in our communities, to the importance of pay equity. Part of meeting these commitments requires communicating actively with a wide range of stakeholders to inform them of what Citi and CGML is doing and engaging in dialogue to understand what more can be done. CGML is committed to increasing the transparency of its efforts on these issues, and supports Citi's efforts to supplement its annual Environment, Social and Governance Report with articles, reports, surveys, and other relevant perspectives throughout the year.

Decision making in action

The Board's approach to stakeholder engagement was illustrated during the transition of the European Government Bond business from CGML to Citibank Europe plc as part of the target operating model planning following the UK's withdrawal from the EU. The Board received regular updates from the UK Executive Committee and working groups set up within the firm to oversee and manage the project. The Board provided challenge and oversight particularly concerning the risk and financial impact on CGML. To ensure CGML remains a sustainable and profitable entity whilst enabling it to continue serving clients throughout the EEA with minimal disruption. The Board has continued to be actively engaged in target operating model planning throughout 2021 and into 2022.

3. Mission and Strategy

CGML's mission, in line with that of Citi, is to serve as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress. CGML's core activities are being a dealer, market maker and underwriter and providing advisory services. Whilst carrying out these activities, it ensures that actions are always in its clients' interests, create economic value and are systemically responsible.

The strategic priorities set out in CGML's 2021 - 2023 Strategic and Financial plan which was approved by the Board during the period are as follows:

- *Deliver client excellence as Citi's international broker-dealer.*

CGML continues to maintain a strong client franchise and competitive position in the client segments, countries and products by capturing growth opportunities and through innovative electronic and digital offerings, despite volatile markets and geo-political uncertainties. CGML will continue to remain one of Citigroup's four major global booking and risk management hubs, serving international clients from its registered headquarters in the UK or its international subsidiaries and branches.

- *Improve infrastructure to drive resilience, efficiency and a great client experience.*

CGML continues to maintain focus on investment in core platforms and infrastructure to enhance client experience through delivery of electronic and digital execution capabilities, improve stability and operational resilience, improve data quality and data insights, simplification and automation of manual processes, and strengthening of cyber and third party risk management. CGML's priorities remain aligned to Citi's objectives and CGML will continue to benefit from enhancements to operational and technology infrastructure capabilities.

- *Make strong governance and controls a cornerstone of CGML's success.*

CGML has taken positive steps to strengthen the design, operations and effectiveness of the legal entity governance, both at the Executive and the Board levels. CGML remains committed to demonstrate and embed continuous improvements in the control environment, and strong and decisive governance. Active identification and timely remediation of underlying issues, analysis of root causes, establishment of compensating or preventative controls, and broader application of improvements remain key areas of focus.

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3. Mission and Strategy (continued)

- *Attract, retain and develop talent and shape good culture and conduct.*

CGML's priority is to be an employer of choice and to provide a great place to work. Commitment to Diversity and Inclusion is core to Citi's values. As part of Citi's pledge to the Women in Finance Charter, CGML has set a goal to increase the number of senior management roles held by women. These developments are further supported by wider diversity initiatives including measures to identify and retain high performing employees. CGML continues to focus on embedding a sustainable culture that encourages good conduct and high ethical and performance standards, and monitors positive momentum through the Voice of Employee survey results.

- *Deliver sustained future profitability and efficient management of financial and capital resources.*

CGML continues to focus on sustainable returns, improved financial resource efficiency, and effective forward-assessment and management of its financial, capital and liquidity resources to support growth opportunities, and to ensure that it maintains adequate capital and liquidity both in business-as-usual activities and managing periods of stress.

In addition to the above key priorities, CGML will continue to ensure that its capital strategy and financial resources provide a strong foundation for meeting its current actual requirements while supporting strategic growth.

4. Financial Highlights

Key Financial Performance Metrics

	2021	2020
Operating Efficiency <i>(operating expense as a percentage of gross profit)</i>	88.1%	70.6%
Return on Assets <i>(Net income as a proportion of total assets)</i>	0.09%	0.20%
Return on Tangible Common Equity (TCE) <i>(Net income as a proportion of TCE)</i>	1.7%	5.8%
Return on Tier 1 Capital <i>(Net income as a proportion of Tier 1 capital)</i>	1.4%	5.1%

The year on year decrease in financial performance was a result of the substantial out-performance in 2020 driven by the high levels of client and trading activity and the market volatility surrounding the COVID-19 pandemic. 2021 performance metrics are more closely aligned with a pre-COVID-19 environment with the exception of returns on tangible common equity and Tier 1 capital. These returns reflect a decrease compared to 2019 (2.0% and 1.7% respectively) as a result of increased capital as part of the Company's 2021 capital plan.

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

4. Financial Highlights (continued)

4.1 Income Statement Summary

	2021 \$ Million	2020 \$ Million
Commission income and fees	1,470	1,128
Net dealing income	2,834	3,807
Interest receivable	280	267
Interest payable	(1,087)	(1,111)
Gross profit	3,497	4,091
Operating expenses	(3,082)	(2,889)
Impairment release /(loss) of investments	—	88
Other income and expenses	19	28
Operating profit on ordinary activities before taxation	434	1,318
Tax on profits on ordinary activities	(31)	(295)
Profit after taxation for the financial year	403	1,023

Gross Profit

Gross profit decreased by \$594 million, a 15% decrease on 2020. In the first quarter of 2020, following the start of the COVID-19 pandemic, markets saw an increase in volatility resulting in a significant increase in trading activity. This led to all businesses across the Markets segment exceeding plan for the year. Furthermore a gain of \$510 million was recognised in 2020 following the termination of long-term debt which was borrowed during peak market volatility and returned after volatility had subsided but while credit spreads remained wide. In contrast, while new variants of the virus led to some additional uncertainties in the market, the distribution of vaccines and easing of lockdowns were followed by an economic rebound resulting in 2021 gross profit largely aligning with plan and reverting to pre-COVID-19 levels. Gross profit in 2019 was \$3,189 million, indicating a growth 10% over the two-year period with driven by growth in both Markets and BCMA.

Commission income and fees

Commission income and fees result from the BCMA business, from Equity Cash activity and from inter-company fees which are calculated on an arm's length basis. Uncertainty surrounding the pandemic in 2020 led to a decrease in Mergers and Acquisition (M&A) activity, with a number of plans put on hold while the uncertainties remained. In 2021, however, M&A activity surpassed record levels as markets recovered and businesses looked to take advantage of the low interest rates which led to a \$342 million increase.

Net Dealing Income

The foremost contributors to net dealing income were the Fixed Income and Equities businesses. Net dealing income declined by \$973 million including a \$544 million decrease on the prior year early termination of long-term debt with the remainder driven by the heightened levels of trading activity in 2020 as referenced above.

Interest Receivable and Payable

Interest receivable and payable mainly reflects income and expense from collateralised financing transactions measured at amortised cost. It also includes amounts paid relating to inter-company funding and subordinated debt. Interest receivable and payable remained largely in line with 2020. A decrease in interest payable as a result of lower subordinated debt following the increase in CGML's capital during 2021 was largely offset by interest payable due to increasing yields over 2021.

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

4. Financial Highlights (continued)

4.1 Income Statement Summary (continued)

Operating Expenses

Operating expenses were \$3,082 million, an increase of \$193 million compared to 2020, with the largest costs relating to compensation and benefits of \$1,644 million (2020: \$1,528 million). The increase in compensation and benefits was largely driven by increased headcount in CGML which increased by 347 over the year, particularly in risk and control.

In December 2020, the Company released the prior year impairment of its investment in Citigroup Global Markets Europe AG resulting in an \$88 million gain in accordance with principal accounting policy 1(c). There were no subsequent impairment gains/(losses) of investments in 2021.

4.2 Balance Sheet

	31 December 2021	31 December 2020
	\$ Million	\$ Million
Total Assets	451,281	506,059
Total Liabilities	422,762	485,292
Shareholders' funds	28,519	20,767

CGML's assets consist primarily of collateralised financing transactions, derivatives and trading inventory. Collateralised financing transactions include reverse repos and stock borrows; derivatives encompass interest rate, credit, equity and commodity derivatives; whilst bonds and equities form the largest categories of trading inventory. The Company's liabilities predominantly comprise collateralised financing transactions, derivatives and securities sold not yet purchased. The decline in assets and liabilities in 2021 was mainly driven by derivatives as increasing yields led to decreasing mark to market valuations on CGML's interest rate swaps.

Shareholders' funds were \$28,519 million (31 December 2020: \$20,767 million) which represented an increase of \$7,752 million. During the year, the Company continued to execute on its capital strategy with an incremental increase of \$5.5 billion in Common Equity Tier 1 (CET1) capital, and \$2.0 billion increase in Tier 1 capital in the form of an Additional Tier 1 (AT1) Note. Furthermore, on 31 December 2021, the Company issued bonus shares to its immediate parent, Citigroup Global Markets Holdings Bahamas Limited, converting \$18.5 billion in Capital reserves to Share capital. The remaining increase in shareholders' funds are driven by the profit for the period partially offset by coupon payments on the AT1 notes. Further details of the current period movements are presented in the Statement of Changes in Equity.

More detailed information about the composition of CGML's balance sheet, including analyses of its derivative and inventory holdings, can be found in the Balance Sheet and the Notes to the Accounts, in particular Note 15 'Financial assets and liabilities accounting classification and fair values', Note 14: 'Financial assets at fair value through profit or loss', and Note 13 'Derivatives'.

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

4. Financial Highlights (continued)

4.3 Regulatory Capital (unaudited)

CGML's regulatory capital position is summarised below.

	2021	2020
	\$ Million	\$ Million
<u>Capital resources</u>		
Tier 1 capital	28,380	20,077
Tier 2 capital	2,600	4,600
Deductions	(3,037)	(1,200)
Total	27,943	23,477
<u>Capital requirements (Pillar 1)</u>		
Market risk	4,279	3,734
Credit risk	5,853	5,663
Operational risk	1,545	1,698
Large Exposures risk	336	21
Credit Valuation Adjustment (CVA) risk	379	398
Total	12,392	11,514
<u>Excess capital over Pillar 1</u>	15,551	11,963

Tier 1 capital encompasses tangible shareholders' funds. Tier 2 capital comprises long-term subordinated debt that is eligible for inclusion as capital. Deductions from capital include adjustments for the value of the defined benefit pension scheme, intangible assets, other valuation adjustments and certain securitisation positions. The increase in deductions compared to 2020 is driven by further investments in Citigroup Global Markets Europe AG (CGME).

Pillar 1 prescribes the minimum capital requirements for banks and investment firms under the Basel Capital Accord and the EU Capital Requirements Directive and Regulation (CRD IV package). In addition to Pillar 1 requirements, the PRA mandates a set of Pillar 2 regulatory capital standards which CGML is required to meet in its Individual Capital Guidance and certain additional capital buffers. CGML maintains a sufficiently strong and stable capital balance, which remained in excess of these minimum regulatory requirements throughout the year. Management monitors forecast and possible future capital and liquidity requirements and manages activity and resources accordingly to ensure CGML's capital maintains a surplus above self-imposed management action triggers are maintained.

4.4 External Environment

CGML's 2021 financial results were achieved against a backdrop characterised by a number of key themes: the continued spread of COVID-19 and its impact on economic and trade activity including increased volatility in financial markets, a low, yet gradually rising interest rate environment, continued economic uncertainty, a rise in geopolitical tension, and an increasingly competitive landscape.

The UK Gross domestic product (GDP) rebounded in 2021, growing at an estimated 7-8%, after shrinking by close to 10% in 2020. Global and UK activity returned to pre-pandemic levels towards the end of 2021, with the economic impact of the Omicron variant expected to be limited and of short duration. Unemployment levels continued to fall in the UK, following the closure of the furlough scheme. Global supply chain constraints and higher energy prices have led to an up-tick in price inflation in 2021. Twelve-month UK CPI (Consumer Price Index) rose to 5.4% in December, higher than the Bank of England's expectations. In December, the Bank of England's Monetary Policy Committee (MPC) voted to increase UK Bank rate by 0.15 percentage points, to 0.25% in an attempt to control rising prices.

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

4. Financial Highlights (continued)

4.4 External Environment (continued)

Overall, 2021 was a strong year for Equities trading and Investment Banking. Fixed Income trading revenues decreased and normalised against a very strong 2020. Interest-generating businesses continued to be impacted by a historically low interest rate environment.

5. 2022 Future Outlook

The Company continues to monitor the evolving landscape in relation to COVID-19, elevated levels of inflation, significant disruptions and volatility in financial market as a result of geo-political developments including recent military action of Russian forces into Ukraine which has escalated tensions between Russia and the U.S., NATO, the EU and the U.K and beyond.

The Company's ability to engage in activity with certain businesses in Russia and Ukraine is dependent in part upon whether such engagement is restricted under the financial and economic sanctions imposed by the U.S., the U.K., the EU and other countries commencing from 21 February 2022. Given the volatile and evolving situation and its impact on global financial markets and economic conditions, and its impact on the Company's businesses, the Company continues to monitor and manage the relevant exposures to mitigate risks as appropriate.

The Company has a stable business model that has proven its performance and resilience through the period of stress in the last two years and places it in a strong and sustainable position to benefit from opportunities for future growth. The Company plans to continue to grow its businesses offsetting the planned reduction in the European Government bonds portfolio over the coming years.

The external regulatory environment continues to evolve, notably for CGML this includes revisions to the Capital and Liquidity frameworks. These are expected to be introduced over time, starting in 2022.

6. LIBOR Transition Risk

LIBOR has historically been used as the interest rate benchmark to price or value a wide range of financial products. The Company recognises that the ongoing transition away from and discontinuance of LIBOR presents various risks and challenges that could significantly impact financial markets and market participants. These include, among others, the pricing, liquidity, value of, return on and market for financial instruments and contracts that reference LIBOR or any other benchmark rate, including any alternative benchmark rate. Accordingly, Citi, and by extension the Company, has continued its efforts to identify and manage its LIBOR transition risks. Citi is also closely monitoring legislative, regulatory and other developments related to LIBOR transition matters and relief.

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

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

The LIBOR administrator ceased publication of non-USD LIBOR and one week and two-month USD LIBOR on a representative basis on 31 December 2021, with plans to cease publication of all other USD LIBOR tenors on 30 June 2023. In 2021, the Company also focused on remediating existing LIBOR contracts for which publication ceased on a representative basis on 31 December 2021. Substantially all of these contracts were remediated by 31 December 2021, and the Company continues to actively engage in and track the remediation of any remaining contracts after 31 December 2021.

STRATEGIC REPORT

for the year ended 31 December 2021

7. Climate Risk

Climate change presents short-term and long-term risks to Citi and to its clients and customers, with the risks expected to increase over time. Climate risk refers to the risk of loss arising from climate change and is divided into physical risk and transition risk.

- Physical risk considers how chronic and acute climate change (e.g., increased storms, drought, fires, floods) can directly damage physical assets (e.g., real estate, crops) or otherwise impact their value or productivity.
- Transition risk considers how changes in policy, technology, and market preference to address climate change (e.g., carbon price policies, power generation shifts from fossil fuels to renewable energy) can lead to changes in the value of assets, commodities and companies.

Climate risk is an overarching risk that can act as a driver of other types of risk in the Citi risk taxonomy, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries, and operational risk from physical climate risks to Citi's facilities.

Citi currently identifies climate risk as an "emerging risk" within its Risk Governance Framework. Emerging risks are risks or thematic issues that are either new to the landscape, or in the case of climate risk, existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties.

With the increased importance and focus on climate risk, Citi has continued to enhance its governance of climate risk and integrate climate considerations into the priorities of Citigroup's and CGML's Board of Directors and senior management.

Citi, and CGML, have invested significantly in climate risk management, including a global and centralised team in Risk Management working exclusively on climate risk.

Citi has established a senior-executive level Climate Risk Steering Group to provide guidance, feedback and support with regards to the integration of climate risk management. This group receives regular updates from the Climate Risk Working Group which includes representation from UK legal entities and comprises of workstreams focused on: Scenario Analysis, Climate Risk Identification and Assessments and Data Strategy.

Citi first established its Environmental and Social Risk Management (ESRM) Policy in 2003, as part of Citi's broader credit risk management policy, applicable to all Citi entities globally. The ESRM Policy provides the framework for how Citi identifies, mitigates, and manages the potential environmental and social risks (including climate risks) associated with clients' activities that could lead to credit or reputation risks to the firm. It guides how Citi evaluates lending, underwriting and advisory in environmentally sensitive and/or high-carbon sectors, and presents opportunities for Citi to engage clients on solutions to thematic risks.

In March 2021, Citi committed to net zero greenhouse gas (GHG) emissions by 2050, which includes net zero associated with our financing by 2050 and net zero for its own operations by 2030. As part of this commitment, Citi released our initial plan for how we intend to achieve net zero by 2050, with a focus on the Energy and Power sectors. As a Citi wide commitment, CGML will participate in Citi's Net Zero implementation, and Citi has already taken significant steps to reduce its carbon footprint in the UK, such as installing solar panels on its UK data centre in 2021.

CITIGROUP GLOBAL MARKETS LIMITED

STRATEGIC REPORT

for the year ended 31 December 2021

7. Climate Risk (continued)

Climate risk is on the regular agenda of the CGML Board and CGML Board Risk Committee. To ensure appropriate governance around financial risks from climate change, the CGML Board continues to have oversight of the integration of climate risk within CGML and receive frequent progress updates from management.

By order of the Board



J D K Bardrick
Director and Chief Executive Officer

27 April 2022

Incorporated in England and Wales
Registered office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 01763297

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

The Directors present their Report and the audited financial statements of CGML for the year ended 31 December 2021.

Going concern basis

The financial statements are prepared on a going concern basis taking into account CGML's existing capital and liquidity resources and the level of reliance placed on support from Citi, CGML's ultimate parent. The Directors acknowledge the risk that extreme circumstances might adversely impact CGML's ability to continue trading and are satisfied that CGML has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions. As CGML is part of the Citigroup, the risks that apply to the parent also apply to all subsidiaries within the group including CGML. The risk factors impacting Citigroup Inc. are described in its 2021 annual report on form 10-K, which can be found at <http://www.citigroup.com/citi/investor/sec.htm>.

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

To assess any potential impact on the Company, the Directors reassessed the components of capital, liquidity and the financial position of the Company and have concluded that the going concern basis is still appropriate. The assessment was completed with reference to CGML's continued stress testing processes within under its Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

CGML continues to monitor the key risks for its Liquidity and Capital position including the impact of the conflict in Ukraine and the subsequent sanctions on Russia and the Company has shown that it would maintain sufficient Capital and Liquidity under a hypothetical scenario stressing energy commodity prices that could result. The extent of the future impacts for CGML of these events, along with those of the COVID 19 pandemic, remains uncertain but may include higher inflation or interest rates and financial market volatility and the Company continues to consider as part of its ongoing evaluations.

Based on the above assessment, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis. Further information relevant to this assessment is provided in the following sections of these financial statements:

- the principal activities, strategic direction and challenges and uncertainties are described in the Strategic Report on pages 1 to 18;
- a financial summary, including the income statement and statement of financial position, is provided in the financial results section on pages 29 to 32; and
- objectives, policies and processes for managing market, liquidity, credit and operational risk, and CGML's approach to capital management and allocation, are described in Note 29 'Financial instruments and risk management', starting on page 85.

In addition to the going concern basis, Citigroup Inc. continues to provide confirmation that it will provide sufficient funding to the Company to ensure that it maintains a sound financial situation and is in a position to meet its debt obligations for the foreseeable future.

Dividends

During the year CGML paid no dividends on its ordinary shares (2020: \$nil).

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

Information included in the Strategic Report

CGML has elected to include information on financial risk management as per Schedule 7.6(1)(a) & (b) of the "Large and Medium-sized Companies and Groups Regulations 2008" in the Strategic Report as the Directors consider financial risk management to be of strategic importance to CGML. Further details about financial risk management are provided in Note 29 'Financial instruments and risk management.'

For the year ended 31 December 2021, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the Principles) (as published by the Financial Reporting Council in December 2018 and which are available on its website). Our corporate governance report, describing how CGML has applied the provisions of the Principles over the past year is presented in the Strategic Report in section 2. CGML Corporate Governance Report and Principal Risks, including employee engagement disclosure under the Section 172(1) Statement.

The Strategic Report also incorporates a discussion of likely future business developments, while important events affecting the Company since the end of the financial year are described in Note 34 'Events after the reporting period'. A summary of the Company's overseas branches and subsidiaries can be found in the Introduction to the Strategic Report.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Citi's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

Directors

The Directors who held office during the year ended 31 December 2021 and since year end were:

Non-Executive

C Ardalan (Chairman, resigned on 4 November 2021)

S J Clark (appointed on 5 February 2021)

W M N Fall (appointed on 5 February 2021)

R F Goulding (resigned on 29 January 2021)

J P Moulds (appointed on 5 February 2021)

D L Taylor*

A R Wynaendts (appointed on 22 January 2021, resigned on 19 November 2021)

Executive

L Arduini

J D K Bardrick

D Jain

F M Mannion**

Z V Wimborne

A-M Tassell

* D L Taylor resigned as a Non-Executive Director with effect from 26 April 2022.

** F M Mannion resigned as an Executive Director with effect from 31 March 2022.

Directors' indemnity

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

Employment of disabled people

CGML is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within CGML. Training, career development and promotion of disabled persons are, as far as possible, identical to those applicable to other employees who are not disabled.

Political contributions

The Company made no political contributions or incurred any political expenditure during the year (2020: \$nil).

Sustainable Operations at CGML

CGML, as part of Citigroup Inc., has been measuring its environmental footprint for two decades and began reporting on its direct operational impacts in 2002. In 2021, Citi continued its progress to reduce its carbon footprint by continuing to use 100% renewable electricity across its facilities globally. 2021 was a challenging year because of the COVID-19 pandemic continuing to disrupt normal operations but efforts were made to ensure that energy use was minimised on site and that carbon emissions were reduced.

To build on its existing success and reduce its operational footprint further, Citi is committed to the following goals for increasing its energy efficiency and reducing GHG emissions by 2025, from a 2010 baseline:

- a 45% reduction in location-based GHG emissions (CO₂e);
- a 40% reduction in energy consumption and maintain 100% renewable electricity sourcing; and
- certifying 40% of floor area to be LEED, WELL or equivalent standard, with a focus on Citi owned building to operate at the highest level of sustainability.

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

Sustainable Operations at CGML (continued)

In addition to these 2025 reduction targets, in March 2021 Citi announced its commitment to net zero emissions for its global operations by 2030, which will include Scope 1 and 2 emissions. Citi is currently evaluating its emissions inventory among all Scope 3 categories to determine which are material and which it will be able to influence. This exercise will determine the areas of our supply chain that will be included in our net zero operations emissions target.

Citi reports Scope 1, Scope 2 and Scope 3 Business Travel GHG emissions in both its Environmental Impact Report and its CDP response. Citi's global energy consumption and GHG emissions can be found in the annual Environmental, Social and Governance Report. Citi's GHG emissions and environmental data are verified and assured by SGS, a leading third-party inspection, verification, testing and certification company.

Streamlined Energy and Carbon Reporting

The following tables present CGML's estimated energy consumption, greenhouse gas emissions and chosen intensity metrics for its UK-based operations for the 2020 and 2021 financial years:

Energy Consumption			2021	2020
Energy (MWh)			51,305	47,034
GHG Emissions				
Scope	Source	Unit	2021	2020
1	Direct	tCO ₂ e	4,463	3,021
2	Indirect – Location-based	tCO ₂ e	5,735	6,157
	Indirect – Market-based	tCO ₂ e	—	—
3	Commercial air & rail travel	tCO ₂ e	638	1,585
	Employee expensed car mileage	tCO ₂ e	—	4
Total	Scope 1, 2 (location) & Scope 3 Business Travel	tCO₂e	10,837	10,768
	Scope 1, 2 (market) & Scope 3 Business Travel	tCO₂e	5,102	4,610
Intensity Ratio*			2021	2020
tCO ₂ e/Sq. Ft**			0.027	0.017
tCO ₂ e/FTE			2.816	2.913

* these intensity metrics have been calculated using Scope 1 & 2 (location) emissions

** calculated using Citi's total Scope 1 & 2 carbon footprint from the group's UK portfolio

CGML's emissions are calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions the Company is responsible for across Scope 1, 2 and Scope 3 business travel. The emissions are calculated using the emissions factors for 2020 and 2021 published by the Department for Business, Energy & Industrial Strategy.

Citi gathers data from its operations on an ongoing basis, with primary evidence sourced from office managers and technical team. Where Citi pay for occupancy via service charges and the share of consumption is not known, consumption is calculated by benchmarking the energy/square foot against our global portfolio. As a number of Citi-owned subsidiaries occupy the same office spaces and make use of data centres, the figures presented have been calculated using CGML's UK headcount pro-rata to the Citi UK headcount. Citi purchase 100% renewable electricity in the UK through green tariffs for electricity directly purchased. Where electricity is obtained in leased properties from landlords, guarantee of origin certificates are purchased for the equivalent amount used.

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

Sustainable Operations at Citigroup Global Markets Limited (continued)

Streamlined Energy and Carbon Reporting (continued)

The continued impact of COVID-19 restrictions influenced employee travel where CGML saw a reduction in its Scope 3 business travel. As part of the reporting for 2021 we have also included associated fuel consumption emissions which were not reported for 2020, though this is not material in the total amount of energy consumed. Additionally, CGML's energy consumption and resultant emissions increased between 2020 and 2021. This is highlighted in table above under Scope 1 emissions and is a result of an increase in the running hours of the CHP plant.

Energy efficiency in action

The main sources of CGML's operations are from the running of data centres, offices and business travel of employees travelling for work. Whether undertaking new construction or renovating existing buildings, Citi prioritise efficiency and sustainability to minimise the environmental impact of its facilities. The below highlights the energy efficiency actions that were undertaken in 2021.

In the Citigroup Centre 1 and Citigroup Centre 2 buildings:

- Installation of an analytics software "building analytics" which monitors every asset in the building assessing whether it's running according to design/operational requirements and sending alerts to the engineering team on the specific asset that is not performing in line with expectations.
- The chilled water temperature was raised by 1.5 degrees.
- Mothballed empty floors, isolating chilled water, tech rooms, variable air volume boxes and air compartment units.

In the Riverdale Data Centre:

- Solar photovoltaic installed to supply energy for lighting.
- Temperature monitoring system called "Ekkosense" installed in the data hall on level 4 to monitor temperature at server height and send feedback to the computer room air conditioning units to adjust accordingly.

Events after the reporting period

The recent action of Russian military forces and support personnel in Ukraine has escalated tensions between Russia and the U.S., NATO, the EU and the U.K. Certain jurisdictions have imposed, and are likely to impose material additional, financial and economic sanctions and export controls against certain Russian entities and/or individuals.

Commencing from the week of 21 February 2022, the U.S., the U.K., and the EU each imposed packages of financial and economic sanctions that, in various ways, constrain transactions with numerous Russian entities and individuals; transactions in Russian sovereign debt; and investment, trade, and financing to, from, or in certain regions of Ukraine.

The Company's ability to engage in activity with certain consumer and institutional businesses in Russia and Ukraine or involving certain Russian or Ukrainian businesses and customers is dependent in part upon whether such engagement is restricted or prohibited under any current or expected U.S., EU, U.K. or other countries' sanctions and laws.

Sanctions and export controls, as well as any actions by Russia, could further adversely affect the Company's business activities and customers in and from Russia and Ukraine. Moreover, actions by Russia, and any further measures taken by the U.S. or its allies, could have negative impacts on regional and global financial markets and economic conditions. The Company continues to monitor the potential impacts from the tensions and conflict in order to manage and mitigate its exposures and risks.

CITIGROUP GLOBAL MARKETS LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2021

Events after the reporting period (continued)

Furthermore, the geopolitical developments have had a severe impact on commodity markets, particularly across oil and gas, as prices have risen dramatically during the first quarter of 2022. To date there has been no material adverse impact to the Company as a result. The Company continues to assess the material risks and the impact of commodity prices on its clients and businesses.

At the date on which these financial statements were approved, there were no other significant events affecting the Company since the year end.

Disclosure of information to auditors

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

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

Auditors

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

By order of the Board.



JD K Bardrick
Director and Chief Executive Officer

27 April 2022

Incorporated in England and Wales
Registered office: Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB
Registered Number: 01763297

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP GLOBAL MARKETS LIMITED

Opinion

We have audited the financial statements of Citigroup Global Markets Limited (“the Company”) for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance sheet, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model, including potential forward looking risks arising from the geopolitical tensions, and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company’s available financial resources over this period were:

- the availability of funding and liquidity in the event of market wide and idiosyncratic stresses;
- the impact on regulatory capital requirements in the event of an increase in financial instrument price volatility or risk due to market-wide stress; and
- the impact of the geopolitical tensions due to market-wide stress.

We considered whether these risks plausibly affect the liquidity in the going concern period by assessing the Directors’ sensitivities over the level of available financial resources indicated by the Company’s financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in severe, but plausible scenarios relevant to liquidity and capital.. We have also assessed whether forecasts of the income statement and balance sheet are internally consistent and are consistent with our knowledge of the entity and the sector in which it operates.
- We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise, which included seeking additional capital from the parent, taking into account the extent to which the Directors can control the timing and outcome of these.

We considered whether the going concern disclosure in note 1(a) to the financial statements gives a full and accurate description of the Directors’ assessment of going concern, including the identified risks and dependencies.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP GLOBAL MARKETS LIMITED

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1(a) to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, Internal Audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks associated with journals.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of hard to price financial instruments. On this audit we do not believe there is a fraud risk related to revenue recognition because income is automatically calculated by IT applications and there is no manual intervention which limits the opportunity for management to commit fraud through the manipulation of revenue.

We also identified a fraud risk related to existence and accuracy of unconfirmed derivatives and valuation of hard to price financial instruments in response to possible pressures to meet profit targets.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other profit and loss adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to unusual accounts.
- Evaluated the business purpose of transactions resulting in significant day 1 P&L.
- Assessing significant accounting estimates relating to valuation of hard to price financial instrument for bias.
- Incorporating an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed, including:
 - increasing the extent of substantive procedures performed on significant accounts
 - selecting items for testing that have lower amounts or are otherwise outside customary selection parameters

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP GLOBAL MARKETS LIMITED

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors (as required by auditing standards), inspection of the Company's regulatory and legal correspondence and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, money laundering, sanctions lists and financial crime, market abuse regulations, conduct issues, certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIGROUP GLOBAL MARKETS LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 20, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
27 April 2022

CITIGROUP GLOBAL MARKETS LIMITED

INCOME STATEMENT

for the year ended 31 December 2021

		2021	2020
	Notes	\$ Million	\$ Million
Commission income and fees	4	1,470	1,128
Net dealing income	6	2,834	3,807
Interest receivable	5	280	267
Interest payable	5	<u>(1,087)</u>	<u>(1,111)</u>
Gross profit		3,497	4,091
Operating expenses	7	(3,082)	(2,889)
Impairment of investments in subsidiary	20	—	88
Net finance income on pension	8	7	9
Other income		<u>12</u>	<u>19</u>
Operating profit on ordinary activities before taxation		434	1,318
Tax on profits on ordinary activities	11	(31)	(295)
Profit after taxation for the financial year		<u><u>403</u></u>	<u><u>1,023</u></u>

The accompanying notes on pages 34 to 108 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 \$ Million	2020 \$ Million
Profit after taxation for the financial year		403	1,023
<u>Other Comprehensive Income</u>			
Items that will not be reclassified subsequently to profit or loss:			
Gross gains/(losses) on remeasurement of defined benefit pension asset	8	99	(32)
Deferred tax (charge)/benefit associated with remeasurement of pension asset	8	(27)	9
Deferred tax charge associated with rate change on remeasurement of pension asset	8	(31)	(9)
Gains/(losses) on debt valuation adjustment (DVA) attributed to the change in credit risk		21	(104)
Deferred tax (charge)/benefit associated with loss on DVA		(6)	28
Deferred tax benefit associated with rate change on DVA		11	2
Total other comprehensive income/(expense)		<u>67</u>	<u>(106)</u>
Total comprehensive gain for the financial year		<u><u>470</u></u>	<u><u>917</u></u>

The net movement in the Statement of Comprehensive Income in respect of the pension scheme reflects changes in the actual and expected returns on scheme assets and liabilities and the related tax impact associated with the balance sheet valuation of the defined pension asset.

The accompanying notes on pages 34 to 108 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Notes	Share Capital \$ Million	Other equity instruments \$ Million	Capital reserve \$ Million	Equity reserve \$ Million	Retained earnings \$ Million	Total \$ Million
At 1 January 2020		1,500	2,300	10,999	1,218	1,954	17,971
Profit after taxation for the year						1,023	1,023
Gross losses on remeasurement of defined benefit pension asset	8	—	—	—	—	(32)	(32)
Deferred tax benefit associated with remeasurement of pension asset		—	—	—	—	9	9
Deferred tax loss associated with rate change on remeasurement of pension asset		—	—	—	—	(9)	(9)
Loss on debt valuation adjustment (DVA)		—	—	—	—	(104)	(104)
Tax benefit associated with gains on DVA		—	—	—	—	28	28
Tax benefit associated with rate change on DVA		—	—	—	—	2	2
Total comprehensive expense		—	—	—	—	(106)	(106)
Share based payment transactions	9	—	—	—	62	—	62
Deferred tax charge associated with share based payment transactions		—	—	—	(16)	—	(16)
Capital contribution	28	—	—	2,000	—	—	2,000
Dividend on other equity instruments		—	—	—	—	(167)	(167)
At 31 December 2020		1,500	2,300	12,999	1,264	2,704	20,767
Profit after taxation for the year		—	—	—	—	403	403
Gross gains on remeasurement of defined benefit pension asset	8	—	—	—	—	99	99
Deferred tax loss associated with remeasurement of pension asset		—	—	—	—	(27)	(27)
Deferred tax loss associated with rate change on remeasurement of pension asset		—	—	—	—	(31)	(31)
Gain on debt valuation adjustment (DVA)		—	—	—	—	21	21
Tax loss associated with gains on DVA		—	—	—	—	(6)	(6)
Tax benefit associated with rate change on DVA		—	—	—	—	11	11
Total comprehensive income		—	—	—	—	67	67
Share based payment transactions	9	—	—	—	(3)	—	(3)
Capital contribution	28	—	—	5,500	—	—	5,500
Conversion of Capital reserve into Share capital	28	18,499	—	(18,499)	—	—	—
Other equity instruments issued	28	—	2,000	—	—	—	2,000
Dividend on other equity instruments		—	—	—	—	(195)	(195)
Loss on debt valuation adjustment (DVA) disposal		—	—	—	—	(28)	(28)
Tax benefit associated with loss on DVA disposal		—	—	—	—	8	8
At 31 December 2021		19,999	4,300	—	1,261	2,959	28,519

The other equity instruments relate to Additional Tier 1 notes. Further information is included in Note 28 'Capital and reserves'. The capital reserve includes capital contributions from the parent company, which are distributable. The Company received an additional \$5.5 billion in capital contribution during the year. The equity reserve includes the fair value movement of the share based incentives issued, and other fair value movements captured in equity.

The accompanying notes on pages 34 to 108 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

BALANCE SHEET

for the year ended 31 December 2021

	Notes	31 December 2021 \$ Million	31 December 2020 \$ Million	31 December 2019 \$ Million
Assets				
Financial assets at amortised cost				
– cash at bank	12	8,463	5,505	3,610
– collateralised financing transactions	15	76,862	76,864	54,766
Financial assets mandatorily at fair value through profit or loss				
– derivatives	13	157,281	213,918	207,941
– inventory	14	64,751	73,752	59,498
– equity securities held for investment	16	106	99	71
Financial assets designated at fair value through profit or loss	13	81,701	77,331	53,309
Investments in subsidiary and related undertakings	20	3,830	2,125	1,399
Pension asset	8	547	449	458
Other assets	18	57,740	56,016	46,226
Total Assets		451,281	506,059	427,278
Liabilities and Equity				
Financial liabilities at amortised cost				
– bank loans and overdrafts	15	7,201	7,347	8,594
– collateralised financing transactions	15	63,067	75,922	51,267
Financial liabilities mandatorily at fair value through profit or loss				
– derivatives	13	161,797	229,445	222,664
– securities sold but not yet purchased	15	65,997	56,641	40,013
Financial liabilities designated at fair value through profit or loss	15	69,388	63,864	34,129
Other liabilities	23	46,712	41,473	42,540
Subordinated loans	27	8,600	10,600	10,100
Total Liabilities		422,762	485,292	409,307
Capital and reserves				
Called up share capital	28	19,999	1,500	1,500
Other equity instruments	28	4,300	2,300	2,300
Capital reserve	28	—	12,999	10,999
Retained earnings and other reserves		4,220	3,968	3,172
Shareholders' funds		28,519	20,767	17,971
Total Liabilities and Shareholders' Funds		451,281	506,059	427,278

The accompanying notes on pages 34 to 108 form an integral part of these financial statements.

The financial statements on pages 29 to 108 were approved by the Directors on 27 April 2022 and were signed on their behalf by:



J D K Bardrick
Director and Chief Executive Officer
Registered Number: 01763297

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 \$ Million	2020 \$ Million
Cash flows from operating activities:			
Profit before taxation		434	1,318
<i>Adjustments for:</i>			
Depreciation and amortisation	7	53	51
Provision charged and other movements during the year	24	(5)	(19)
(Income)/expense related to Pension	8	(99)	32
Net impairment charge/(release) on investment securities	20	—	(88)
Net impairment loss on loans and advances	7	6	6
Net loss/(gain) on other fair value items	16	(7)	(27)
Other non-cash movements including exchange rate movements		11	13
Net interest income	5	807	843
		<u>1,200</u>	<u>2,129</u>
<i>Changes in:</i>			
Financial assets at amortised cost		(4)	(22,104)
Financial assets mandatorily at fair value through profit or loss		65,639	(20,232)
Financial assets designated at fair value through profit or loss		(4,397)	(24,023)
Other assets		(5,809)	(10,524)
Financial liabilities at amortised cost		(14,416)	23,456
Financial liabilities mandatorily at fair value through profit or loss		(58,293)	23,409
Financial liabilities designated at fair value through profit or loss		5,524	29,735
Other liabilities		5,700	(1,390)
		<u>(4,856)</u>	<u>456</u>
Interest received		4,443	985
Interest paid		(1,444)	(833)
Income taxes paid		(125)	(307)
Net cash used in operating activities		<u>(1,982)</u>	<u>301</u>
Cash flows from investing activities			
Dividends received from investments		8	16
Acquisition of investment securities	20	(1,705)	(642)
Acquisition of intangible assets	19	(83)	(64)
Net cash used in investing activities		<u>(1,780)</u>	<u>(690)</u>
Cash flows from financing activities			
Issue of Additional Tier 1 capital	28	2,000	—
Capital contribution received from parent	28	5,500	2,000
Proceeds from issue of subordinated liabilities	27	(2,000)	500
Dividends paid on other equity instruments		(195)	(167)
Net cash from financing activities		<u>5,305</u>	<u>2,333</u>
Net increase in cash and cash equivalents		1,543	1,944
Cash at bank including bank overdrafts at 1 January		5,427	3,483
Cash at bank including bank overdrafts at 31 December		<u><u>6,970</u></u>	<u><u>5,427</u></u>

Under IAS 7, Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents in the Statement of Cash Flows.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

(a) *Basis of presentation*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. In the previous year, the financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). In the transition from FRS 101 to IFRSs as adopted by the United Kingdom, the Company has made no measurement and recognition adjustments. There were no differences between EU-adopted IFRS and UK-adopted IFRS in standards effective at the reporting date. The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to CGML.

The financial statements have been prepared in US Dollars, which is the functional and presentational currency of the Company, and any reference to \$ in these financial statements refers to US Dollars. The Company has rounded figures to the nearest million \$, unless otherwise stated.

As permitted under section 401 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of the ultimate parent, Citigroup Inc., which prepares consolidated financial statements under United States Generally Accepted Accounting Principles (US GAAP). The Company meets the criteria for exemption from the obligation to prepare and deliver group accounts that is available to a company included in non-European Economic Area (EEA) group accounts of a larger group. These financial statements therefore present information about the Company as an individual undertaking and not about its group. Citigroup Inc. makes its financial statements available to the public on a quarterly basis.

As was reported in the ultimate parent company's (Citigroup's) Annual Report on SEC Form 10-K for the year ended 31 December 2021, Citigroup disclosed that the COVID-19 pandemic has severely impacted global health, financial markets, consumer and business spending, and economic conditions in all of the jurisdictions where Citi operates. The extent of the future pandemic impacts remains uncertain but may include, among other impacts, disruption of the global supply chain, higher inflation or interest rates, financial market volatility, increase in credit costs for Citi, and public health impacts. The pandemic may continue to have negative impacts on Citi's businesses and overall results of operations and financial condition.

To assess any potential impact on the Company, the Directors reassessed the components of capital, liquidity and the financial position of the Company and have concluded that the going concern basis is still appropriate. The reassessment was completed with reference to the stress testing processes within the ICAAP and ILAAP which demonstrated that CGML has sufficient capital and liquidity buffers to withstand the current market conditions. In this reassessment, the Directors considered severe but plausible downside scenarios, including stress tests aligned to the ICAAP for which the Company uses an internal model. The stress scenarios are considered to be at least as severe as the Bank of England's Scenario for banks and building societies not part of concurrent stress testing scenario. This analysis indicated that the Company would maintain capital and liquidity headroom throughout the period covered by the forecasts, even in reasonably possible downside scenarios.

Specifically, CGML continues to monitor the key risks for its liquidity and capital position including the impact of the conflict in Ukraine and the subsequent sanctions on Russia and the Company has shown that it would maintain sufficient capital and liquidity under a hypothetical scenario stressing energy commodity prices that could result.

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(b) Changes in accounting policy and disclosures

The accounting policies adopted are consistent within the accounts and with those of the previous financial year, except for certain amendments and improvements to the IFRS standards implemented as at 1 January 2021, which did not have a material impact on the Company unless otherwise noted below. There were no other material or amended standards or interpretations that resulted in a change in accounting policy for the year ended 31 December 2021.

Standards and amendments issued and effective from 1 January 2021

There are a number of accounting standards that have been amended by the International Accounting Standards Board (“IASB”), which became effective from 1 January 2021. They include:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) – Phase 2
- COVID-19-Related Rent Concessions (Amendments to IFRS 16, Leases)
- Amendments to IAS 1, (‘Presentation of financial statements’ on classification of liabilities)

The above amendments to IFRS 16 did not have an impact on the Company’s financial statements, as the Company does not have any leases. More discussion of Interest Rate Benchmark Reform is included below.

Standards and amendments issued but not yet effective as at 31 December 2021

The accounting standards and amendments set out below have been issued by the IASB, but are not yet effective for the Company. The Company does not plan on early adoption of these standards. These standards either have no impact or not expected to have material impact to the Company upon adoption.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts
- Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)

Interest Rate Benchmark Reform

The Company has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021. The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis;

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(b) Changes in accounting policy and disclosures (continued)

Managing interest rate benchmark reform and associated risks

For decades, LIBOR and other rates or indices deemed to be benchmarks that have been widely used across financial products and markets globally. These benchmarks have been the subject of ongoing national and international regulatory scrutiny and reform, resulting in regulators generally expecting or requiring banks, including Citi, to cease entering into new contracts that reference USD LIBOR as a benchmark by 31 December 2021. The LIBOR administrator ceased publication of non-USD LIBOR and one week and two-month USD LIBOR on a representative basis on 31 December 2021, with plans to cease publication of all other USD LIBOR tenors on 30 June 2023. As a result, Citi ceased entering into new contracts referencing USD LIBOR as of 1 January 2022, other than for limited purposes as permitted by regulatory guidance and Citi has been in compliance with this expectation.

Despite ongoing actions to prepare for the transition away from LIBOR, market participants, including Citi, may not be adequately prepared for the uncertainties associated with these benchmarks' discontinuance or, as necessary, be able to successfully modify their outstanding contracts or products which reference these benchmarks. For example, the transition away from and discontinuance of LIBOR or any other benchmark rate presents various uncertainties, operational, legal, reputational or compliance, financial and other risks and challenges to holders of these contracts and products as well as financial markets and institutions, including Citi. These include, among others, the pricing, liquidity, value of, return on and market for financial instruments and contracts that reference LIBOR or any other benchmark rate.

The Company recognises that a transition away from and discontinuance of LIBOR, also the replacement of some interbank offered rates (IBORs) presents various risks and challenges that could significantly impact financial markets and market participants. Accordingly, the Company has continued its efforts to identify and manage its interest rate benchmark reform risks. For example, the Company continues to closely monitor legislative, regulatory and other developments related to interest rate benchmark reform matters and legislative relief. The International Swaps and Derivatives Association (ISDA) published Interbank Offered Rate (IBOR) Fallbacks Protocol for existing IBOR derivatives transactions, which became effective in January 2021, that provides derivatives market participants with new fallbacks for legacy and new derivatives contracts if both counterparties adhere to the Fallbacks Protocol or engage in bilateral amendments.

In addition, Citi has established a LIBOR governance and implementation programme focused on identifying and addressing the impact of LIBOR transition on Citi's clients, operational capabilities and financial contracts. The programme operates globally across Citi's businesses and functions and includes active involvement of senior management, oversight by Citi's Asset & Liability Committee and reporting to the Risk Management Committee of Citigroup's Board of Directors. As part of the program, Citi has continued to implement its LIBOR transition action plans and associated roadmaps under the following key workstreams: programme management; transition strategy and risk management; customer management, including internal communications and training, legal/contract management and product management; financial exposures and risk management; regulatory and industry engagement; operations and technology; and finance, risk, tax and treasury.

During 2021, Citi continued to participate in a number of working groups formed by global regulators, including the Alternative Reference Rates Committee (ARRC) convened by the Federal Reserve Board. These working groups promote and advance development of alternative reference rates and seek to identify and address potential challenges from any transition to such rates. The Company's action plans and associated roadmaps are intended to be consistent with the timelines recommended by these working groups. This includes the Commodity Futures Trading Commission's SOFR First Initiative, which is designed to promote derivatives trading in SOFR. The Company also continued to engage with regulators, financial accounting bodies and others on interest rate benchmark reform matters.

Citi's interest rate benchmark reform transition efforts include, among other things, reducing its overall exposure to LIBOR, increasing Citi's virtual client communication efforts and client transition facilitation, including outreach regarding new industry-led protocols and solutions, and using alternative reference rates in certain newly issued financial instruments and products. Further, Citi has also been investing in its systems and infrastructure, as client activity moves away from LIBOR to alternative reference rates.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(b) Changes in accounting policy and disclosures (continued)

In 2021, Citi has been focused on remediating existing LIBOR contracts for which publication ceased on a representative basis on 31 December 2021. Substantially all of these contracts have been remediating by 31 December 2021, and Citi continues to actively engage in and track the remediation of any remaining contracts after 31 December 2021. In addition, a significant majority of the notional amount of Citi's derivatives exposures include fallback provisions referencing alternative reference rates as a result of adherence to the (IBOR) Fallbacks Protocol. For LIBOR contracts that have not yet been remediating, Citi has also been reviewing the effect of relevant legislative solutions, which are expected to facilitate the transition to replacement rates.

The Company monitors the progress of transition from LIBORs and other IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR which would deem it remediating for contract management:

	USD Libor \$ Million	GBP Libor \$ Million	JPY Libor \$ Million	EONIA \$ Million	ICESWAP USD \$ Million	ICESWAP EUR \$ Million	Others** *** \$ Million	Total \$ Million
IBOR Exposures by Benchmarks*								
Financial Assets**	1,178	77	1	82	7	—	27	1,372
Financial Liabilities***	10,203	—	—	65	—	—	—	10,268
Derivates Notional****	991,547	396,626	98,203	7,342	99,475	123,538	59,566	1,776,297

*by 31 December 2021, the Company has exposure indexed to a benchmark that is still subject to IBOR reform.

**Financial assets include deposits, repos, etc.

***Financial liabilities include repos, notes, etc.

****Derivates presented are notional values.

***** Others include EUR Libor, CHF Libor, ICESWAP GBP, SOR and THBFIX.

(c) Financial instruments

Classification and measurement

From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)). For SPPI, 'principal' is defined as the fair value of the financial asset on initial recognition and 'interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. Interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time and a profit margin that is consistent with a basic lending arrangement.

Categories under IFRS 9: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 also allows entities to irrevocably designate financial assets that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch). This election is referred to as the Fair Value Option (FVO). The majority of the financial instruments of the Company are measured at fair value through profit or loss. The Company has no financial instruments categorized as FVOCI.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities which do not meet the definition of trading liabilities can be designated at FVTPL using the FVO, if one of the following criteria are met: (1) the designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch); (2) a group of financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (3) the instrument contains one or more embedded derivatives which are not bifurcated. Financial liabilities which are designated at FVTPL, under the FVO, include collateralised financing transactions and hybrid financial liabilities.

Further, movements on gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL are presented in other comprehensive income (OCI) with no subsequent reclassification to the income statement.

The financial assets held at amortised cost meet the SPPI test and are held to collect contractual cash flows.

FVTPL

Where the asset is not held within a business model whose objective is to hold to collect the contractual cash flows or within a business model whose objective is to both collect the cash flows and to sell the assets, then the asset will be classified as FVTPL. Moreover, any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category.

Financial assets and liabilities held for trading

Financial instruments that have been acquired principally for the purpose of selling or repurchasing in the near term, or form part of a portfolio of financial instruments that are managed at fair value together and for which there is evidence of short term profit taking are classified as "held for trading". Financial assets classified as "held for trading" include collateralised financing transactions, government bonds, non-government bonds, equities and derivatives. Financial liabilities classified as "held for trading" include derivatives, hybrid financial liabilities and short sales (securities sold but not yet purchased). A short sale is a sale of securities that the seller does not own at the time of sale. A short sale must be covered through the delivery of the securities sold short or a due bill, which is a promise to deliver specific securities to a customer later.

Trading assets and liabilities are initially recognised at fair value on settlement date and subsequently re-measured at fair value. Any changes in fair value between trade date and settlement date are reported in the income statement. Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in fair value (including any foreign currency retranslation gains and losses) are reported in the income statement. Any initial gain or loss on financial instruments where valuation is dependent on valuation techniques using unobservable parameters are deferred over the life of the contract or until the instrument is redeemed, transferred or sold or the fair value becomes observable.

Derivatives and Hybrid financial instruments

Derivative contracts used in trading activities are recognised at fair value on the date the derivative is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses realised on disposal or redemption and unrealised gains and losses from changes in fair value are reported in the income statement. Where an embedded derivative exists within a financial liability host contract, the host contract and embedded derivative are measured as a package under the fair value option.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Financial instruments (continued)

Equity securities held for investment

Strategic investments including investments in exchanges, clearing houses and settlement houses are required to be held at fair value through the profit or loss account.

Other financial liabilities and subordinated loans

Financial liabilities and subordinated loans are measured at amortised cost using the effective interest rate, except those which are “held for trading”, which are held at fair value through the profit or loss account.

Amortised Cost

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

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

Loans and receivables

Loans and receivables incorporate trade debtors, including settlement receivables, and are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest rate method, and subject to expected credit loss impairment under IFRS 9.

Repurchase and resale agreements and securities lending/borrowing

Repurchase and resale agreements are treated as collateralised financing transactions and measured at amortised cost. Securities which have been sold with an agreement to repurchase continue to be shown on the balance sheet and the sale proceeds are recorded as a collateralised financing transaction within other liabilities. Securities acquired in purchase and resale transactions are not recognised on the balance sheet and the purchase is recorded as a collateralised financing transaction within other assets. The difference between the sale price and the repurchase price is recognised over the life of the transaction and is charged or credited to the income statement as interest payable or receivable.

Similarly, when securities are lent or borrowed in exchange for cash, this is also treated as collateralised financing. Securities lent are not derecognised from the balance sheet and the cash inflow is recognised as a collateralised borrowing. Securities borrowed are not recognised on the balance sheet and the cash inflow is recognised as a collateralised lending. The securities lending fees payable and receivable are charged or credited to the income statement as interest payable or receivable. However, the Company measures a portion of its repurchase and resale agreements at fair value. Financial instruments are measured at fair value through profit or loss when they meet one or more of the criteria set out below:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

That portion of the Company’s repurchase and resale agreements which are hedged with instruments measured at fair value and managed as a combined business strategy have been designated as fair value through profit or loss.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Financial instruments (continued)

Determination of fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market value in an active market wherever possible. Where no such active market exists for the particular instrument, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. In case the transaction price in the market in which these transactions are undertaken is different from the fair value in the Company's principal market for those instruments, the fair value of these transactions are also estimated by using valuation techniques. See Note 15 'Financial assets and liabilities accounting classifications and fair values' for further details.

Collateral

The Company receives collateral from customers as part of its business activities. Collateral can take the form of cash, securities or other assets. Where cash collateral is received this is recorded on the balance sheet and, where required by collateral agreements, is reported as restricted cash. The Company does not recognise non-cash collateral received on its balance sheet.

Where cash collateral is posted to a third party, the Company derecognises cash from its balance sheet. Non-cash collateral posted to a third party remains on the Company's balance sheet.

Offsetting financial instruments

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

All offsetting applied by the Company relates to derivatives and repurchase and reverse repurchase agreements. A significant portion of offsetting is applied to interest rate derivatives and related cash margin balances, which are cleared through central clearing parties such as the London Clearing House. The Company also offsets repurchase and reverse repurchase agreements for which the Company has the right to set off and has the intent to settle on a net basis or to realise an asset and settle a liability simultaneously.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive the cash flows of the financial assets and either substantially all the risks and rewards of ownership have been transferred or substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

If the Company enters into a transaction that results in it retaining significantly all of the risks and rewards of a financial asset it will continue to recognise that financial asset and will recognise a financial liability equal to the consideration received under the transaction. Financial liabilities are derecognised when they are extinguished, that is when the obligation is substantially modified, exchanged, discharged, cancelled or expired.

Impairment

The IFRS 9 impairment standard applies to any debt instruments measured at amortised cost or at fair value through other comprehensive income and also to off balance sheet loan commitments and financial guarantees. The standard requires an estimation of an expected credit loss (ECL) that is unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate will also consider the time value of money.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Financial instruments (continued)

ECL will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- Stage 2 – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.

The credit losses for financial assets in Stage 1 and Stage 2 are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Credit losses are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Evidence that a financial asset is impaired includes observable data that comes to the attention of the Company such as:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

Staging

Financial assets can move in both directions through the stages of the IFRS 9 impairment model depending on the assessment of whether there is a significant increase of credit risk since initial recognition or whether the asset is credit impaired subsequently changes.

In order to determine the ECL reporting stage for an obligation, the Company determines whether the asset is already impaired (Stage 3) or not (Stage 1 and 2). Stage 2 is determined by the existence of a significant credit deterioration (or credit improvement) compared with the credit rating at initial recognition. Stage 1 assets do not have significant credit deterioration compared with that at initial recognition. All newly acquired or originated financial assets that are not purchased or originated credit impaired (POCI) are recognised in Stage 1 initially. Additional qualitative reviews are also performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 and Stage 2, are recorded in the income statement as an adjustment to the allowance for credit losses.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(c) Financial instruments (continued)

Because of the nature of business activities and the financial assets on the Company's balance sheet (high credit quality reverse repo asset loans and short term trade receivables), the recognition of expected credit losses has a minimal impact. For the vast majority of its exposures, the Company has taken advantage of practical expedients allowed by IFRS 9 in which either: (a) lifetime expected credit losses are recognised irrespective of changes in credit risk (applicable to receivables such as trade date or brokerage receivables), or (b) twelve-month expected credit losses are recognised where credit risk is low at the reporting date (applicable to reverse repos and securities borrowed).

(d) Commodities

Commodities are initially recognised under inventory at fair value on settlement date and subsequently re-measured at fair value less costs to sell. Realised gains and losses on sales of commodities inventory are included in net dealing income.

(e) Fee and commission income

The primary components of Fee and commission income are investment banking fees and brokerage commissions.

Fee and commission income is recognised when the right to consideration has been obtained in exchange for performance.

Investment banking fees are substantially composed of underwriting and advisory revenues. Such fees are recognised at the point in time when Company's performance under the terms of a contractual arrangement is completed, which is typically at the closing of a transaction. Reimbursed expenses related to these transactions are recorded as revenue and are included within investment banking fees.

Brokerage commissions primarily include commissions and fees from the following: executing transactions for clients on exchanges and over-the-counter markets; sales of mutual funds and other annuity products; and assisting clients in clearing transactions, providing brokerage services and other such activities. Brokerage commissions are recognised at the point in time the associated service is fulfilled, generally on trade-execution date.

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

(f) Interest receivable and payable and the effective interest method

Interest income and expense is recognised in the income statement for all financial assets classified as loans and receivables and non-trading financial liabilities, using the effective interest rate method. The Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. The calculation of the effective interest rate includes incremental and directly attributable transaction costs and fees paid or received that are an integral part of the effective interest rate. When calculating the EIR, the Company estimates future cash flows considering all contracted terms of the financial instrument, but no future credit losses. For assets which are initially recognized as purchased or credit impaired, interest revenue is calculated through the use of a credit-adjusted effective interest rate which takes into consideration expected credit losses. A credit-adjusted EIR is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

Interest arising on financial assets or financial liabilities that are "held for trading" or "designated at fair value" is reported within net dealing income.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(g) Net dealing income

Net dealing income comprises gains and losses related to trading assets, trading liabilities and financial assets and liabilities designated at fair value and commodities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences. For derivatives that are not part of hedging programmes, both the interest element and the fair value movements are recognised as part of net dealing income.

(h) Tangible and Intangible assets

Tangible fixed assets are measured at cost, less accumulated depreciation. The cost of developed software includes directly attributable internal costs and the cost of external consultants. Depreciation is provided at rates calculated to write-off the cost, less the estimated residual value of each asset, on a straight line basis over its expected economic useful life, as follows:

Premises improvements	–	lesser of the life of the lease or 10 years
Equipment	–	lesser of the life of the equipment or 10 years
Capitalised software	–	2 to 10 years

At each reporting date the Company assesses whether there is any indication that tangible or intangible fixed assets are impaired.

(i) Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less impairment. The Company determines whether it is necessary to recognise an impairment loss on its investment in shares in subsidiary undertakings by comparing the carrying value of the investment with the value in use, determined by the net asset value of the subsidiary undertaking at the reporting date.

(j) Taxation

Income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(k) Pension and other post retirement benefit costs

CGML operates both a defined benefit and a defined contribution pension scheme.

The cost of CGML's defined contribution pension scheme is expensed as the related service is provided and recognised within operating expenses in the income statement. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the term of the related pension liability. Remeasurement gains and losses are recognised immediately in the Statement of Other Comprehensive Income (OCI). The current service cost and any past service costs are included in the income statement within operating expenses. The interest income on pension scheme assets, net of the impact of the interest cost on the pension scheme liabilities, is included within Net finance income on pension.

A surplus is recognised on the balance sheet where an economic benefit is available as a reduction in future contributions or as a refund of monies to Citi.

(l) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars using the year end spot exchange rates. Non-monetary assets and liabilities denominated in currencies other than US Dollar that are classified as "held for trading" or "designated at fair value" are translated into US Dollars using the year end spot rate. Non-monetary assets and liabilities denominated in currencies other than US Dollars that are not measured at fair value have been translated at the relevant historical exchange rates. Any gains or losses on exchange are taken to the income statement as incurred.

(m) Share-based incentive plans

The Company participates in a number of Citi equity settled share-based incentive plans under which Citigroup grants shares to its employees in exchange for services from employees. Pursuant to a separate Stock Plans Affiliate Participation Agreement (SPAPA), the Company makes a cash settlement to Citigroup for the fair value of the share-based incentive awards delivered to the employees under these plans.

The Company applies equity-settled accounting for its share based incentive plans, with separate accounting for its associated obligations to make payments to Citigroup Inc as part of a recharge arrangement. The Company recognises the fair value of the awards at grant date with a credit to the intercompany payable (recharge liability) to Citigroup Inc. All amounts paid to Citigroup Inc. and the associated obligations are recognised over the vesting period as compensation expense. Subsequent changes in the fair value of the recharge liability in respect of all unexercised awards are reviewed annually and any changes in value are recognised in the equity reserve, again over the vesting period. The SPAPA is also updated annually. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies (continued)

(m) Share-based incentive plans (continued)

For Citi's share based incentive plans that have a graded vested period each "tranche" of the award is treated as a separate award. Where a plan has a cliff vest, the award only has a single "tranche". The expense is recognised as follows:

Vesting Period of Award	% of expense recognised in Income Statement						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2 Years (vesting in 2 Tranches)	75%	25%					
3 Years (vesting in 3 Tranches)	61%	28%	11%				
4 Years (vesting in 4 Tranches)	52%	27%	15%	6%			
5 Years (vesting in 5 Tranches)	46%	26%	16%	9%	4%		
7 Years (vesting in 4 Tranches)	19%	19%	19%	19%	13%	8%	4%

However, employees who meet certain age plus years of service requirements (retirement eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. The cost of share based incentive plans are recognised over the requisite service period. For awards granted to retiree eligible employees, the services are provided prior to grant date, and subsequently the costs are accrued in the year prior to the grant date.

EU Short Term awards are a form of Capital Accumulation Programme (CAP) awarded to qualifying staff. The award is accounted for similarly to CAP awards but is delivered in the form of immediately vested restricted shares subject to a six month sale restriction.

(n) Cash at bank

Cash and balances at central banks or other financial institutions comprise balances with original maturity of less than three months and are carried at amortised cost on the Company's balance sheet.

(o) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provisions are measured at the best estimate of the outflow of resources that will be required to settle the obligation.

(p) Modification of financial liabilities

When a financial liability is modified, or there is an exchange of debt instruments between the same lender and borrower, the original financial liability is derecognised—and a new liability recognised—if the two debt instruments have 'substantially different' terms. This determination considers both a quantitative comparison of the debt's cash flows before and after the modification, as well as consideration of qualitative factors such as risk profile, maturity, or existence of embedded derivatives.

Where terms are substantially different, the existing liability is derecognised, and any difference between the carrying value and the value of the replacement debt is recognized in profit or loss at the date of modification.

When the contractual cash flows of a financial liability are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial liability in accordance with IFRS 9, the Company shall recalculate the gross carrying amount of the financial liability, and any difference is also recognized in profit or loss at the date of modification.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions, estimates and judgements

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

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

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

The following areas are sources of estimation uncertainties that require management to make highly complex or subjective judgements, which have (or may have) the most significant effect on the amounts recognized in the financial statements.

Valuation of financial instruments

The Company's accounting policy for valuation of financial instruments is described in Note 1(c). If quoted market prices are not available, fair value is based upon internally developed valuation models that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Such models are often based on a discounted cash flow analysis. In addition, items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified under the fair value hierarchy as Level 3 even though there may be some significant inputs that are readily observable. The Company is required to exercise subjective judgments relating to the applicability and functionality of internal valuation models, the significance of inputs or value drivers to the valuation of an instrument and the degree of illiquidity and subsequent lack of observability in certain markets. Note 15 'Financial assets and liabilities accounting classifications and fair values' discusses further the valuation of financial instruments.

Credit valuation adjustment

Credit valuation adjustments (CVA) and funding valuation adjustments (FVA) are applied to the relevant population of over-the-counter (OTC) derivative instruments where adjustments to reflect counterparty credit risk, own credit risk and term funding risk are required to estimate fair value. This principally includes derivatives with a base valuation (e.g., discounted using overnight indexed swap (OIS)) requiring adjustment for these effects, such as uncollateralized interest rate swaps. The CVA represents a portfolio-level adjustment to reflect the risk premium associated with the counterparty's (assets) or Citi's (liabilities) non-performance risk.

The FVA represents a market funding risk premium inherent in the uncollateralized portion of a derivative portfolio and in certain collateralized derivative portfolios that do not include standard credit support annexes (CSAs), such as where the CSA does not permit the reuse of collateral received. Citi's FVA methodology leverages the existing CVA methodology to estimate a funding exposure profile. The calculation of this exposure profile considers collateral agreements in which the terms do not permit the Company to reuse the collateral received, including where counterparties post collateral to third-party custodians. Citi's CVA and FVA methodologies consist of two steps:

- First, the exposure profile for each counterparty is determined using the terms of all individual derivative positions and a Monte Carlo simulation or other quantitative analysis to generate a series of expected cash flows at future points in time. The calculation of this exposure profile considers the effect of credit risk mitigants and sources of funding, including pledged cash or other collateral and any legal right of offset that exists with a counterparty through arrangements such as netting agreements. Individual derivative contracts that are subject to an enforceable master netting agreement with a counterparty are aggregated as a netting set for this purpose, since it is those aggregate net cash flows that are subject to non-performance risk. This process identifies specific, point-in-time future cash flows that are subject to non-performance and term funding risk, rather than using the current recognized net asset or liability as a basis to measure the CVA and FVA.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Use of assumptions, estimates and judgements (continued)

Credit valuation adjustment (continued)

- Second, for CVA, market-based views of default probabilities derived from observed credit spreads in the credit default swap (CDS) market are applied to the expected future cash flows determined in step one. Citi's own credit CVA is determined using Citi-specific CDS spreads for the relevant tenor. Generally, counterparty CVA is determined using CDS spread indices for each credit rating and tenor. For certain identified netting sets where individual analysis is practicable (e.g., exposures to counterparties with liquid CDSs), counterparty-specific CDS spreads are used. For FVA, a term structure of spreads is applied to the expected funding exposures (e.g., the market liquidity spread used to represent the term funding premium associated with certain OTC derivatives).

The CVA and FVA are designed to incorporate a market view of the credit and funding risk, respectively, inherent in the derivative portfolio. However, most unsecured derivative instruments are negotiated bilateral contracts and are not commonly transferred to third parties. Derivative instruments are normally settled contractually or, if terminated early, are terminated at a value negotiated bilaterally between the counterparties. Thus, the CVA and FVA may not be realized upon a settlement or termination in the normal course of business. In addition, all or a portion of these adjustments may be reversed or otherwise adjusted in future periods in the event of changes in the credit or funding risk associated with the derivative instruments.

During 2021, the Company recorded net CVA gain of \$52 million (2020: \$21 million losses). There were additionally net FVA losses of \$32 million (2020: \$2 million losses). The total adjustment recorded in the balance sheet at the year-end was \$(57) million (2020: \$9 million).

3. Turnover and results

As permitted by paragraph 4 of Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410), the format of the income statement and the Balance sheet have been adapted to the circumstances of the Company. Instead of turnover, the Directors have reported fee and commission income, net dealing income and interest receivable less interest payable in determining the gross profit of the Company.

4. Fee and commission income

	2021	2020
	\$ Million	\$ Million
Investment Banking		
Advisory Fees	357	139
Underwriting Fees	630	580
Other Investment Banking Fee	69	19
	<hr/> 1,056	<hr/> 738
Brokerage commissions and fees	294	367
Other revenue	120	23
	<hr/> 1,470	<hr/> 1,128
Total fee and commission income	<hr/> <hr/> 1,470	<hr/> <hr/> 1,128
<i>Of which, revenue from contracts with customers</i>	<i>1,179</i>	<i>1,122</i>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Fee and commission income (continued)

Revenue from contracts with customers

	2021 \$ Million	2020 \$ Million
Investment Banking		
Advisory Fees	238	146
Underwriting Fees	630	580
Other Investment Banking Fee	9	37
	<u>877</u>	<u>763</u>
Brokerage commissions and fees	299	373
Other revenue	3	(14)
Total revenue from contracts with customers	<u><u>1,179</u></u>	<u><u>1,122</u></u>

Included within Other assets are contract assets amounted to \$47 million (2020: \$101 million) and included within Other liabilities are contract liabilities amounted to \$109 million (2020: \$106 million).

5. Interest receivable and interest payable

	2021 \$ Million	2020 \$ Million
Interest receivable comprises:		
Interest on collateralised financing transactions, debtors and cash assets measured at amortised cost	280	267
	<u>280</u>	<u>267</u>
Interest payable comprises:		
Interest on collateralised financing transactions and borrowings measured at amortised cost	866	791
Interest on subordinated debt	221	320
	<u>1,087</u>	<u>1,111</u>

Interest receivable and interest payable presented above represents interest revenue calculated using the effective interest method.

Included within interest receivable is interest received on client money. Interest receivable and payable remained largely in line with 2020. A decrease in interest payable as a result of a lower subordinated debt following the capital restructure is largely offset by increasing yields over 2021.

6. Net dealing income

	2021 \$ Million	2020 \$ Million
Net dealing income mandatorily at fair value through profit and loss	2,742	3,418
Net dealing income designated at fair value through profit or loss	92	389
	<u>2,834</u>	<u>3,807</u>

The financial liabilities designated at fair value through profit or loss are fully collateralised (see Note 29 'Financial instruments and risk management') such that there are no changes in the fair value of these liabilities attributable to changes in their credit risk.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Operating expenses

	2021 \$ Million	2020 \$ Million
Compensation and benefits expenses:		
<u>Fixed</u>		
Salaries	724	634
Payroll taxes	198	161
Benefits	(8)	(13)
Deferred Cash	117	176
Share-based incentive expense (Note 9)	159	145
Pension costs		
– defined benefit scheme (Note 8)	12	9
– defined contribution scheme	57	50
Medical expenses	36	23
Severance	16	19
<u>Variable</u>		
Discretionary incentive compensation	242	238
Share-based incentive expense (Note 9)	66	67
Agency & temporary staffing	24	18
Other business specific variable compensation	1	1
Total compensation and benefits expenses	<u>1,644</u>	<u>1,528</u>
Transactional expenses	366	350
Technology/Communications	170	155
Consumption charges	253	220
Tax charges	174	152
Other operating expenses	475	483
Total operating expenses	<u>3,082</u>	<u>2,889</u>
Other operating expenses include:		
Depreciation (Note 19)	53	51
IFRS 9 reserve	6	6
Fees payable to the company's auditor for the audit of the company's annual accounts:		
In support of the Citigroup Inc global audit	3.08	2.34
Audit of these financial statements	1.54	1.17
Fees payable to the company's auditor and its associates for other services:		
Audit related assurance services	1.82	1.10
Other assurance services	0.20	0.07

Consumption expense includes service fees for the provision of realty services, software and technology costs mainly from other Citi affiliates.

The Company employed an average of 3,604 (2020: 3,360) employees during the year.

The following table shows an analysis of the monthly average number of direct employees of the Company:

	2021	2020
Institutional Clients Group	3,163	2,954
Global Rates	127	120
Global Spread Products	123	131
Equity Markets & Securities Services	1,125	1,029
Commodities	71	66
Banking, Capital Markets and Advisory	641	668
Business Support	1,076	940
Infrastructure Operations and Global Functions	441	406

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension

Defined benefit and contribution schemes

The Citigroup (UK) Pension Plan was established in September 2000 and provides defined contribution benefits to all new hires. The contributions that Citi is required to make are known, although the pension benefit will vary depending upon the investment returns achieved by investment choices made by the employee.

The Citigroup Global Markets Limited Pension and Life Assurance Scheme (“the Scheme”) is a funded pension scheme providing benefits on both a defined benefit and defined contribution basis. The defined benefit arrangements are generally non-contributory and based on accrual of 1/60th of final pensionable salary for each year of pensionable service in the Scheme. The defined contribution arrangement provides age-related employer contributions ranging from 6% to 13% of pensionable salary for those aged 20 and 55 respectively, increasing by 1% for each 5 year age band. Additionally, employee contributions are matched up to a maximum of 3% at a rate of £1:£1 for those over age 45 and 50p:£1 for those under age 45. The Scheme also provides lump sum death benefits to active members, based on a multiple of salary, which the members can select. The Scheme is now closed to new entrants. The Scheme operates under trust law and is managed and administered by CG Pension Trustees Limited (the Trustee) on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Plan’s assets are held by the trust. Employees are not required to contribute to the Scheme, which is contracted out of the State Earnings Related Pension Scheme.

Cash contributions to the Scheme are reviewed every three years as part of an actuarial valuation. Following each actuarial valuation, the Company agrees what contributions are required to fund ongoing benefit accrual and agrees a deficit recovery plan with the Trustee Board if necessary. The most recent actuarial funding valuation of the Scheme at 5 April 2020 revealed a surplus of £47.9 million so no recovery plan was required. The Company agreed that it would pay £7.24 million per annum from 1 June 2018 to 31 July 2021 and £6.3 million per annum from 1 August 2021 to 30 April 2023 to cover the cost of ongoing benefit accrual. From 1 June 2018, it was also agreed that the Scheme’s investment management expenses would be met from Scheme assets.

The pension cost in respect of defined benefit obligations is assessed in accordance with the advice of a qualified external actuary using a Projected Unit method with a triennial review. The most recent full actuarial assessment of the liabilities of the scheme was at 5 April 2020.

The Scheme exposes Citi to a number of risks, the most significant being:

- Asset Volatility - the Scheme’s obligations are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit.
- Bond Yields - a decrease in corporate bond yields will increase the value placed on the Scheme’s obligations for accounting purposes. Provided that government bond yields decrease by the same margin as corporate bond yields, this will largely be offset by an increase in the value of the Scheme’s assets.
- Inflation Risk - a significant proportion of the Scheme’s obligations are linked to inflation such that higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).
- Life Expectancy - the majority of the Scheme’s obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Expected regular employer contributions to be paid into the Scheme during 2021 are \$10 million (2020: \$9 million).

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is 20 years.

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.6 years for males and 25.0 years for females. Members currently aged 45 are expected to live a further 24.7 years and 26.3 years from age 65 for males and females respectively.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension (continued)

Assumptions that are affected by economic conditions (financial assumptions) are based on market expectations at the balance sheet date, for the period over which the obligations are settled.

The financial assumptions used in calculating the defined benefit scheme liabilities as at 31 December 2021 are as follows:

	2021	2020
Discount rate for scheme liabilities	1.95%	1.45%
Interest income rate on scheme assets	1.95%	1.45%
Inflation - RPI	3.50%	3.10%
Inflation - CPI	3.00%	2.60%
Rate of general long-term increase in salaries	1.50%	1.50%
Rate of increase to pensions in payment		
– Pensions accrued from 1 May 2005	2.50%	2.40%
– Pensions accrued prior to 1 May 2005	3.20%	2.90%

Following a public consultation, in November 2020, the government confirmed that it would accept the UK Statistics Authority's proposal that the Retail Price Index (RPI) should be aligned with the Consumer Price Index (including housing costs) (CPIH) from 2030.

The fair value of Scheme assets at the reporting date are set out as follows:

	Fair value	
	2021	2020
	\$ Million	\$ Million
Listed assets		
Government bonds	2,070	2,854
Other	15	12
Unlisted assets		
Government bonds	(747)	(1,477)
Corporate bonds	734	744
Insured Pensions	1	1
Total market value of assets	<u>2,073</u>	<u>2,134</u>

Analysis of amounts recognised in the income statement account:

	2021	2020
	\$ Million	\$ Million
Current service cost	7	7
Past service cost	3	2
Administrative Expenses	2	—
Expense recognised in the profit and loss account	<u>12</u>	<u>9</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension (continued)

Analysis of other finance income:

	2021 \$ Million	2020 \$ Million
Interest income on pension scheme assets	31	38
Interest expense on pension scheme liabilities	(24)	(29)
Net finance income on pension	7	9

Analysis of amount recognised in Statement of Comprehensive Income:

	2021 \$ Million	2020 \$ Million
Return on scheme assets (below)/in excess of that recognised in net interest income	(5)	184
Actuarial gains/(losses) due to changes in financial assumptions	85	(172)
Actuarial gains/(losses) due to changes in demographic assumptions	1	(13)
Actuarial gains/(losses) due to liability experience	18	(31)
Total remeasurement gains/(losses) recognised in Statement of Comprehensive Income	99	(32)
Deferred tax adjustment on pension in Statement of Comprehensive Income	(27)	9
Deferred tax charge associated with rate change on remeasurement of pension asset	(31)	(9)
Total gains/(losses) recognised in Statement of Comprehensive Income net of tax	41	(32)

Reconciliation to the balance sheet:

	2021 \$ Million	2020 \$ Million
Total market value of assets	2,073	2,134
Present value of scheme liabilities	(1,526)	(1,685)
Gross pension asset	547	449
Related deferred tax liability	(181)	(121)
Net pension asset	366	328

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension (continued)

	2021	2020
	\$ Million	\$ Million
Surplus in scheme at beginning of the year	449	458
Current service cost	(7)	(7)
Contributions	9	10
Past service cost	(3)	(2)
Curtailments	(2)	—
Other finance income	7	9
Remeasurement gains/(losses)	99	(32)
Foreign exchange adjustment	(5)	13
Surplus in scheme at end of year	547	449

CGML recognises a surplus in accordance with the requirements of IFRIC 14. The trustees of the Scheme do not have the unilateral right to commence wind-up of the Scheme. Thus, CGML assumes that the Scheme will continue in existence until the last benefit payments are made to members, at which point any residual assets will be returned to the employer in line with the rules of the Scheme.

The changes to the present value of the defined obligation during the year are as follows:

	2021	2020
	\$ Million	\$ Million
Opening defined benefit obligation	1,685	1,481
Current service cost	7	7
Past service cost	3	2
Interest expense	24	29
Remeasurement (gains)/losses on scheme liabilities	(104)	216
Net benefits paid out	(75)	(112)
Curtailments	2	—
Foreign exchange adjustment	(16)	62
Closing defined benefit obligation	1,526	1,685

The changes to the fair value of scheme assets during the year are as follows:

	2021	2020
	\$ Million	\$ Million
Opening fair value of scheme assets	2,134	1,939
Interest income on pension scheme assets	31	38
Remeasurement gains on scheme assets	(5)	184
Contributions by the employer	9	10
Net benefits paid out	(75)	(112)
Administrative expenses	(2)	—
Foreign exchange adjustment	(19)	75
Closing fair value of scheme assets	2,073	2,134

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension (continued)

The actual return on assets is as follows:

	2021 \$ Million	2020 \$ Million
Interest income on pension scheme assets	31	38
Remeasurement (losses)/gains on scheme assets	(5)	184
Actual return on assets	<u>26</u>	<u>222</u>

The interest income on scheme assets is set using the discount rate assumption. In 2021, asset values decreased by \$5 million due to a slight rise in bond yields during the year. In 2020, asset values increased by \$184 million as bond yields decreased during the year.

The table below sets out the history of experience gains and losses:

	2021 \$ Million	2020 \$ Million	2019 \$ Million	2018 \$ Million	2017 \$ Million
(Losses)/gains on scheme assets due to experience	(5)	184	132	(75)	32
Gains/(losses) on scheme liabilities due to experience	18	(31)	14	(46)	(24)
Gains/(losses) on scheme liabilities due to assumptions	86	(185)	(190)	133	(19)
Remeasurements recognised in Statement of Comprehensive Income	99	(32)	(44)	12	(11)
Related deferred tax	(58)	—	11	(3)	3
Total gains/(losses) recognised in Statement of Comprehensive Income net of tax	<u>41</u>	<u>(32)</u>	<u>(33)</u>	<u>9</u>	<u>(8)</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Pension (continued)

The key assumptions used for IAS 19 are the discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is set out in the table below.

Sensitivity to key assumptions	2021 Change in defined benefit obligation increase/ (decrease) \$ Million	2020 Change in defined benefit obligation increase/ (decrease) \$ Million
Effect of increasing the discount rate assumption by 1%	(260)	(299)
Effect of decreasing the discount rate assumption by 1%	343	399
Effect of increasing the salary increase assumption by 1%	11	14
Effect of decreasing the salary increase assumption by 1%	(10)	(12)
Effect of increasing the life expectancy assumption by 1 year	56	76
Effect of increasing the pension increase assumption by 1%	230	259
Effect of decreasing the pension increase assumption by 1%	(184)	(205)
Effect of increasing the inflation assumption by 1%	168	185
Effect of decreasing the inflation assumption by 1%	(142)	(157)

In valuing the liabilities of the pension fund, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities would have increased by \$56 million (2020: increase of \$76 million).

The sensitivity information shown above is approximate and has been determined taking into account the duration of the liabilities and the overall profile of the Scheme membership. The methods and assumptions used in preparing the sensitivity analysis above have not changed from the prior year.

9. Share-based incentive plans

As part of the Company's remuneration programme, it participates in a number of Citigroup share-based incentive plans. These plans involve the granting of restricted or deferred share awards and share payments. Such awards are used to attract, retain and motivate officers and employees to provide incentives for their contributions to the long-term performance and growth of the Company, and to align their interests with those of the shareholders. The award programmes are administered by the Personnel and Compensation Committee of the Citigroup Inc. Board of Directors, which is composed entirely of non-employee directors.

In the share award programme Citigroup issues common shares in the form of restricted share awards, deferred share awards and share payments. For all stock award programmes during the applicable vesting period, the shares awarded are not issued to participants (in the case of a deferred stock award) or cannot be sold or transferred by the participants (in the case of a restricted stock award), until after the vesting conditions have been satisfied. Recipients of deferred share awards do not have any shareholder rights until shares are delivered to them, but they generally are entitled to receive dividend-equivalent payments during the vesting period. Recipients of restricted share awards are entitled to a limited voting right and to receive dividend or dividend-equivalent payments during the vesting period. Once a share award vests the shares become freely transferable, but in the case of certain employees, may be subject to transfer restriction by their terms or share ownership commitment.

In prior years, certain stock-based awards were subject to discretionary clawback provisions and as such subject to variable accounting. Under variable accounting the associated value of the award liability moves in line with changes in Citigroup's common stock price until the date that the award vests. Any fluctuation from the grant date value of the award until the award is fully vested is recognised through the income statement.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Share-based incentive plans (continued)

In April 2017 Citigroup made amendments to its UK awards prospectus which enabled the adoption of fixed accounting for all remaining, previously awarded, variable accounting unvested awards using a modification price of \$59.39 (set at the end of April when the decision was confirmed). The difference between the grant price of all remaining, previously awarded, variable accounting unvested awards and the modification price was recognised through the income statement, any further fluctuations in share price from the modification price to the vesting date would be recognised in equity, in line with other non-variable accounting share based payment award types.

(i) Stock award programme

The Company participates in the Citigroup Capital Accumulation Programme (CAP), under which shares of Citigroup common stock are awarded in the form of restricted or deferred stock to participating employees.

Generally CAP awards of restricted or deferred stock constitute a percentage of annual incentive compensation and vest over a three or four year period beginning on or about the first anniversary of the award date. Except in specific circumstances, continuous employment within Citigroup is required for CAP and other stock award programmes to vest.

The programme provides that employees who meet certain age plus years-of-service requirements (retirement-eligible employees) may terminate active employment and continue vesting in their awards provided they comply with specified non-compete provisions. Awards granted to retirement-eligible employees are accrued in the year prior to the grant date in the same manner as cash incentive compensation is accrued.

For all stock award programmes, during the applicable vesting period, the shares awarded cannot be sold or transferred by the participant, and the award is subject to cancellation if the participant's employment is terminated. After the award vests, the shares become freely transferable (subject to specific sale restrictions). From the date of award, the recipient of a restricted stock award can direct the vote of the shares and receive regular dividends to the extent dividends are paid on Citigroup common stock. Recipients of deferred stock awards receive dividend equivalents to the extent dividends are paid on Citigroup common stock, but cannot vote.

Stock awards granted generally vest 25% per year over four years or 33% per year over 3 years.

As part of remuneration since 2010, the Company entered into an arrangement referred to as an "EU Short Term" award. The award will be delivered in the form of immediately vested restricted shares subject to a six month sale restriction.

	2021	2020	2019	2018	2017
Shares awarded	4,083,428	2,750,205	3,042,789	2,921,491	2,714,862
Weighted average fair market value per share	\$59.95	\$74.41	\$59.66	\$72.78	\$59.34

(ii) Stock option programme

In prior years, the Company made discretionary grants of options to eligible employees pursuant to the broad-based Citigroup Employee Option Grant (CEOG) Programme under the Citigroup Stock Incentive Plan. The last options granted under the plan were in 2011. There are no options outstanding. Full details on the history of CEOG can be found in the Company's prior year financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Share-based incentive plans (continued)

(iii) Profit and loss statement impact

The table below details the profit and loss impact of the share based incentive plans.

	2021 \$ Million	2020 \$ Million
<u>Stock Awards</u>		
Granted in 2021	180	
Granted in 2020	30	149
Granted in 2019	8	27
Granted in 2018	1	13
Granted in 2017	—	3
Granted in 2016	—	—
<u>Accrued Expenses</u>	5	20
Total Expense (Note 7)	<u>224</u>	<u>212</u>
<i>From which Fixed Share-based incentive expense</i>	159	145
<i>From which Variable Share-based incentive expense</i>	66	67
Fair value adjustment of intercompany recharges in equity reserve	(3)	62
Deferred tax impact of fair value adjustment in equity reserve	—	(16)
Net fair value adjustment of intercompany recharges in equity reserve	<u>(3)</u>	<u>46</u>
Total carrying amount of equity-settled transaction liability	446	379
Total carrying amount of cash-settled transaction liability	—	—

10. Directors' remuneration

Directors' remuneration in respect of services to the Company was as follows:

	2021 \$'000	2020 \$'000
Aggregate emoluments	6,393	5,801
Contributions to defined contribution pension scheme	79	88
	<u>6,472</u>	<u>5,889</u>

The contributions to the money purchase pension schemes are accruing to seven of the Directors (2020: five). Six of the Directors (2020: four) of the Company participate in parent company share plans.

The remuneration of the highest paid Director was \$2,393,088 (2020: \$2,578,652) and accrued pension of \$1,979 (2020: \$2,404).

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

The above remuneration is based on the apportionment of time incurred by the Directors for services to the Company, both in their capacity as a Director and, where applicable, their normal employment.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	2021 \$ Million	2020 \$ Million
Current tax:		
UK corporation tax	118	343
Adjustment in respect of UK corporation tax for previous years	(10)	(19)
Double taxation relief	(95)	(85)
Overseas current tax	96	87
Adjustment in respect of overseas tax for previous years	(1)	(4)
Total current tax	<u>108</u>	<u>322</u>
Deferred tax:		
Origination and reversal of temporary differences		
– movement on Pension Asset	2	6
– movement on other temporary differences (Note 22)	(46)	(44)
– rate change adjustment	(52)	(8)
Adjustment in respect of deferred tax for earlier years:	19	19
Total deferred tax	<u>(77)</u>	<u>(27)</u>
Tax charge on ordinary activities	<u>31</u>	<u>295</u>

(b) Factors affecting tax charge for the year

The table below illustrates how the tax chargeable on operating profit for the year is impacted by non-taxable items and available reliefs.

	2021 \$ Million	2020 \$ Million
Profit on ordinary activities before tax	<u>434</u>	<u>1,318</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27% (2020: 27%)	117	357
Effects of:		
Expenses not deductible for tax purposes	9	23
Income not taxable	(2)	(29)
Foreign withholding tax not creditable	1	2
Adjustments in relation to previous years	8	(5)
Foreign exchange	1	—
Rate change adjustment	(50)	(8)
Current tax on AT1 coupon	(53)	(45)
Total tax charge for year	<u>31</u>	<u>295</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Tax on profit on ordinary activities (continued)

(c) Aggregate current and deferred tax relating to items recognised directly in equity

	2021 \$ Million	2020 \$ Million
Deferred tax on remeasurement of pension in Statement of comprehensive income	58	—
Deferred tax associated with loss on DVA in Statement of comprehensive income	(5)	(30)
Deferred tax associated with Share based payment transactions in equity	—	16
Corporation Tax on IFRS 9 transitional adjustments	2	2
Deferred Tax on IFRS 9 transitional adjustments	(2)	(2)
Corporation tax on DVA adjustment in Retained Earnings	(8)	—
Total current and deferred tax charge/(credit) recognised in equity	<u>45</u>	<u>(14)</u>

(d) Factors that will affect future tax charges

The UK tax rate applying to CGML in the year was 27%. This includes a surcharge of 8% on the profits of banking companies applicable from 1 January 2016. Overseas branches provided for taxation at the appropriate rates for the countries in which they operate.

The main rate of corporation tax in the UK (excluding the surcharge) has been 19% from 1 April 2017. Finance Act 2021, which received Royal Assent on 10 June 2021, introduced an increase in the UK corporation tax rate to 25% from 1 April 2023 and the expected impact of this change has been reflected in deferred tax. Finance Act 2022, which received Royal Assent on 24 February 2022, introduced a decrease in the bank surcharge from 8% to 3% from 1 April 2023. As this was not substantively enacted as of the date of these accounts, the impact has not been reflected in deferred tax for 2021.

12. Cash at bank

The following amounts are included within cash at bank:

	2021 \$ Million	2020 \$ Million
Cash at bank held by other financial institutions	6,090	3,154
Cash at bank held by other group undertakings	2,373	2,351
	<u>8,463</u>	<u>5,505</u>

Included within cash held by other financial institutions is \$2,620 million (2020: \$1,237 million) that is held on behalf of clients and reported as restricted cash. Included within cash held by other group undertakings is \$245 million (2020: \$97 million) on behalf of clients and reported as restricted cash.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Derivatives

	2021		2020	
	Fair Value		Fair Value	
	Asset	Liability	Asset	Liability
	\$ Million	\$ Million	\$ Million	\$ Million
Interest rate derivatives	88,005	91,967	155,996	165,703
Foreign exchange derivatives	14,711	12,861	23,938	24,265
Credit derivatives	16,252	16,610	10,338	10,281
Equity derivatives	19,479	21,835	16,774	19,597
Commodity derivatives	18,834	18,524	6,872	9,599
	<u>157,281</u>	<u>161,797</u>	<u>213,918</u>	<u>229,445</u>

In the ordinary course of its business, CGML enters into various types of derivative transactions, which include:

- Swap contracts - commitments to settle in cash at a future date or dates ranging from a few days to a number of years, based on differentials between specified instruments or indices, as applied to a notional principal amount;
- Option contracts - the right but not the obligation to buy or sell within a specified time a financial asset at a fixed price over a specified time period; and
- Futures and forward contracts - commitments to buy or sell at a future date a financial asset at a fixed price.

Derivative transactions may be OTC agreements which are bilaterally negotiated with counterparties and either settled with those counterparties or novated and cleared through CCPs. Others are standardised contracts traded on an exchange with the CCP as the counterparty to the trade. Derivatives expose CGML to market, credit or liquidity risks which are described further in Note 29 'Financial instruments and risk management' and which may impact the amount, timing and certainty of future cash flows.

14. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss form part of the trading portfolio of the Company and comprise marketable securities and other financial assets. The following amounts are included in financial assets held at fair value.

	2021	2020
	Total	Total
	\$ Million	\$ Million
Financial assets mandatorily at fair value through profit and loss		
Derivatives (Note 13)	157,281	213,918
Inventory		
Government bonds	28,937	37,843
Non-government bonds	11,486	10,908
Equities	20,990	23,110
Commodities	3,248	1,523
Commercial Paper	90	368
	<u>64,751</u>	<u>73,752</u>
Equity securities held for investment (Note 16)	106	99
Financial assets designated at fair value through profit or loss		
Collateralised financing transactions	81,701	77,331
	<u>303,839</u>	<u>365,100</u>

Included in Derivatives are listed instruments amounting to \$6,465 million (2020: \$4,193 million). Included in Inventory are listed instruments amounting to \$60,435 million (2020: \$68,133 million).

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values. Those measured at fair value, whether mandatorily or designated as such, are further allocated to levels in the fair value hierarchy in the table on the following page.

31 December 2021	Mandatorily at FVTPL \$ Million	Designated at FVTPL \$ Million	Amortised cost \$ Million	Mandatorily at FVTPL - equity investments \$ Million	Total carrying amount \$ Million	Fair value \$ Million
Cash	—	—	8,463	—	8,463	8,463
Derivatives	157,281	—	—	—	157,281	157,281
Inventory	64,751	—	—	—	64,751	64,751
Equity securities held for investment	—	—	—	106	106	106
Collateralised financing transactions	—	81,701	76,862	—	158,563	158,563
Cash collateral pledged	—	—	35,263	—	35,263	35,263
Trade debtors	—	—	21,160	—	21,160	21,160
Other debtors	—	—	376	—	376	376
	<u>222,032</u>	<u>81,701</u>	<u>142,124</u>	<u>106</u>	<u>445,963</u>	<u>445,963</u>
Bank loans and overdrafts	—	—	7,201	—	7,201	7,302
Derivatives	161,797	—	—	—	161,797	161,797
Securities sold but not yet purchased	65,997	—	—	—	65,997	65,997
Collateralised financing transactions	—	43,245	63,067	—	106,312	106,312
Hybrid financial liabilities	—	26,143	—	—	26,143	26,143
Cash collateral held	—	—	27,948	—	27,948	27,948
Trade creditors	—	—	16,385	—	16,385	16,385
Other creditors and accruals	—	—	2,044	—	2,044	2,044
Subordinated loans	—	—	8,600	—	8,600	9,743
	<u>227,794</u>	<u>69,388</u>	<u>125,245</u>	<u>—</u>	<u>422,427</u>	<u>423,671</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

31 December 2020	Mandatorily at FVTPL	Designated at FVTPL	Amortised cost	Mandatorily at FVTPL - equity investments	Total carrying amount	Fair value
	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
Cash	—	—	5,505	—	5,505	5,505
Derivatives	213,918	—	—	—	213,918	213,918
Inventory	73,752	—	—	—	73,752	73,752
Equity securities held for investment	—	—	—	99	99	99
Collateralised financing transactions	—	77,331	76,864	—	154,195	154,195
Cash collateral pledged	—	—	39,570	—	39,570	39,570
Trade debtors	—	—	15,438	—	15,438	15,438
Other debtors	—	—	261	—	261	261
	<u>287,670</u>	<u>77,331</u>	<u>137,638</u>	<u>99</u>	<u>502,738</u>	<u>502,738</u>
Bank loans and overdrafts	—	—	7,347	—	7,347	7,466
Derivatives	229,445	—	—	—	229,445	229,445
Securities sold but not yet purchased	56,641	—	—	—	56,641	56,641
Collateralised financing transactions	—	47,187	75,922	—	123,109	123,109
Hybrid financial liabilities	—	16,677	—	—	16,677	16,677
Cash collateral held	—	—	29,444	—	29,444	29,444
Trade creditors	—	—	9,851	—	9,851	9,851
Other creditors and accruals	—	—	1,943	—	1,943	1,943
Subordinated loans	—	—	10,600	—	10,600	12,250
	<u>286,086</u>	<u>63,864</u>	<u>135,107</u>	<u>—</u>	<u>485,057</u>	<u>486,826</u>

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NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

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

31 December 2021	Level 1	Level 2	Level 3	Total
	\$ Million	\$ Million	\$ Million	\$ Million
Financial assets mandatorily at fair value				
Derivatives	7	154,310	2,964	157,281
Government bonds	19,950	8,958	29	28,937
Non-government bonds	1,206	9,619	661	11,486
Equities	20,632	316	42	20,990
Commodities	—	3,248	—	3,248
Commercial Paper	—	90	—	90
	<u>41,795</u>	<u>176,541</u>	<u>3,696</u>	<u>222,032</u>
Financial assets designated at fair value				
Collateralised financing transactions	—	81,609	92	81,701
Other financial assets at fair value through P&L				
Equity securities held for investment	—	—	106	106
	<u>41,795</u>	<u>258,150</u>	<u>3,894</u>	<u>303,839</u>
Financial liabilities mandatorily at fair value				
Derivatives	27	158,035	3,735	161,797
Securities sold but not yet purchased	50,399	15,558	40	65,997
	<u>50,426</u>	<u>173,593</u>	<u>3,775</u>	<u>227,794</u>
Financial liabilities designated at fair value				
Collateralised financing transactions	—	43,245	—	43,245
Hybrid financial liabilities	—	21,972	4,171	26,143
	<u>50,426</u>	<u>238,810</u>	<u>7,946</u>	<u>297,182</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

31 December 2020	Level 1 \$ Million	Level 2 \$ Million	Level 3 \$ Million	Total \$ Million
Financial assets mandatorily at fair value				
Derivatives	36	210,874	3,008	213,918
Government bonds	35,562	2,257	24	37,843
Non-government bonds	1,231	9,192	485	10,908
Equities	21,374	1,715	21	23,110
Commodities	—	1,523	—	1,523
Commercial Paper	—	368	—	368
	58,203	225,929	3,538	287,670
Financial assets designated at fair value				
Collateralised financing transactions	16	77,222	93	77,331
Other financial assets at fair value through P&L				
Equity securities held for investment	—	—	99	99
	58,219	303,151	3,730	365,100
Financial liabilities mandatorily at fair value				
Derivatives	31	226,496	2,918	229,445
Securities sold but not yet purchased	51,436	5,082	123	56,641
	51,467	231,578	3,041	286,086
Financial liabilities designated at fair value				
Collateralised financing transactions	—	47,187	—	47,187
Hybrid financial liabilities	—	12,185	4,492	16,677
	51,467	290,950	7,533	349,950

During 2021, above the \$100 million threshold, a total balance of \$10.0 billion was transferred to Level 2 from Level 1 and \$3.7 billion was transferred to Level 1 from Level 2. Transfers between Level 1 and Level 2 were driven by changes in Bloomberg Valuation Service (BVAL) scores. All BVAL evaluated securities receive a BVAL Score, a proprietary measure on a scale of 1–10 of the amount and consistency of the market inputs used to calculate each price.

The following table shows an analysis of financial assets and liabilities classified as held at amortised cost by level in the hierarchy:

31 December 2021	Level 1 \$ Million	Level 2 \$ Million	Level 3 \$ Million	Total \$ Million
Financial assets at amortised cost				
Cash	—	8,463	—	8,463
Collateralised financing transactions	—	76,862	—	76,862
Cash collateral pledged	—	35,263	—	35,263
Trade debtors	—	21,160	—	21,160
Other debtors	—	376	—	376
	—	142,124	—	142,124
Financial liabilities at amortised cost				
Bank loans and overdrafts	—	7,201	—	7,201
Collateralised financing transactions	—	63,067	—	63,067
Cash collateral held	—	27,948	—	27,948
Trade creditors	—	16,385	—	16,385
Other creditors and accruals	—	2,044	—	2,044
Subordinated loans	—	8,600	—	8,600
	—	125,245	—	125,245

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

31 December 2020	Level 1 \$ Million	Level 2 \$ Million	Level 3 \$ Million	Total \$ Million
Financial assets at amortised cost				
Cash	—	5,505	—	5,505
Collateralised financing transactions	—	76,864	—	76,864
Cash collateral pledged	—	39,570	—	39,570
Trade debtors	—	15,438	—	15,438
Other debtors	—	261	—	261
	—	137,638	—	137,638
Financial liabilities at amortised cost				
Bank loans and overdrafts	—	7,347	—	7,347
Collateralised financing transactions	—	75,922	—	75,922
Cash collateral held	—	29,444	—	29,444
Trade creditors	—	9,851	—	9,851
Other creditors	—	1,943	—	1,943
Subordinated loans	—	10,600	—	10,600
	—	135,107	—	135,107

Given the short term nature and characteristics of collateralised financing transactions, trade debtors, other debtors, trade creditors, other creditors and accruals the fair value has been assumed to approximate the carrying value. The fair value of subordinated loans has been calculated using the present value of future estimated cash flows, discounted using a discount rate of USD 3 month Overnight Indexed Swap (OIS) plus the Company's credit spread as at 31 December 2021.

Fair Value Measurement

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

Under IFRS 13, the probability of default of a counterparty is factored into the valuation of derivative positions and includes the impact of the Company's own credit risk on derivatives and other liabilities measured at fair value.

Fair Value Hierarchy

The calculation of fair value incorporates the Company's estimate of the fair value of financial assets and financial liabilities. Other entities may use different valuation methods and assumptions in determining fair values, so comparisons of fair values between entities may not necessarily be meaningful.

The Company specifies a hierarchy of inputs based on whether the inputs are observable or unobservable. Observable inputs are developed using market data and reflect market participant assumptions, while unobservable inputs reflect the Company's market assumptions.

The types of inputs have created the following fair value hierarchy:

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Fair Value Hierarchy (continued)

The Company considers relevant and observable market prices in its valuations where possible. The frequency of transactions and the size of the bid-ask spread when comparing similar transactions are factors that are driven by the liquidity of markets and determine the relevance of observed prices in those markets.

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

Determination of Fair Value

As set out more fully in Note 1(c) of these financial statements, when available, the Company generally uses quoted market prices in an active market to calculate the fair value of a financial asset or liability and classifies such items as Level 1. In some specific cases where a market price is available, the Company will make use of alternative pricing techniques, such as matrix pricing, whereby a similar instrument is used as a proxy, to calculate more appropriate fair value for the instrument being valued, in which case the items are classified as Level 2.

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

The Company may also apply a price-based methodology, which utilises, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The frequency and size of transactions are among the factors considered in determining the relevance of prices observed from those markets. If relevant and observable prices are available for all significant pricing inputs, those instruments would be classified as Level 2. When that is not the case, and there are one or more significant unobservable "price" inputs, then those valuations will be classified as Level 3. Furthermore, when a quoted price is stale, a significant adjustment to the price of a similar security is necessary to reflect differences in the terms of the actual security or loan being valued, or prices from independent sources are insufficient to corroborate the valuation, the "price" inputs are considered unobservable and the fair value measurements are classified as Level 3. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors or brokers. Vendors' and brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models, and the Company assesses the quality and relevance of this information in determining the fair value measurement and disclosure of each instrument if such information is used as part of that determination.

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

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Determination of Fair Value (continued)

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

Market valuation adjustments

Market valuation adjustments are applied to items classified as Level 2 or Level 3 in the fair value hierarchy to ensure that the fair value reflects the price at which the net open risk position could be exited. These valuation adjustments are based on the bid/offer spread for an instrument in the market. When Citi has elected to measure certain portfolios of financial investments, such as derivatives, on the basis of the net open risk position, the valuation adjustment may take into account the size of the position.

Credit valuation adjustments

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter uncollateralised derivatives, where the base valuation uses market parameters based on the relevant base interest rate curves. Not all counterparties have the same credit risk as that implied by the relevant base curve, so it is necessary to consider the market view of the credit risk of a counterparty in order to estimate the fair value of such an item.

Bilateral or "own" credit-risk adjustments are applied to reflect the Company's own credit risk when valuing derivative liabilities and other liabilities measured at fair value. Counterparty and own credit adjustments consider the expected future cash flows between the Company and its counterparties under the terms of the instrument and the effect of credit risk on the valuation of those cash flows, rather than a point-in-time assessment of the current recognised net asset or liability. Furthermore, the credit-risk adjustments take into account the effect of credit-risk mitigants, such as pledged collateral and any legal right of offset (to the extent such offset exists) with a counterparty through arrangements such as netting agreements.

Derivatives

Exchange-traded derivatives in active markets are generally fair valued using quoted market prices (i.e. exchange prices) and are therefore classified as Level 1 of the fair value hierarchy.

The majority of derivatives entered into by the Company are executed over the counter and are valued using a combination of external prices and internal valuation techniques, including benchmarking to pricing vendor services. These derivative instruments are classified as either Level 2 or Level 3 depending on the observability of the significant inputs to the model. The principal techniques used to value these instruments are discounted cash flows and internal models, such as derivative pricing models (e.g., Black-Scholes and Monte Carlo simulations). The type of inputs may include interest rate yield curves, credit spreads, foreign exchange rates, volatilities and correlations.

The Company discounts future cash flows using appropriate interest rate curves. In the case of collateralised interest rate derivatives the Company follows the terms in the collateral agreement governing the transaction. The agreements generally provide that an OIS curve is used. The OIS curves reflect the interest rate paid on the collateral against the fair value of these derivatives. Citi uses the relevant benchmark curve for the currency of the derivative (e.g., the U.S. Dollar London Interbank Offered Rate (LIBOR) for U.S. dollar derivatives) as the discount rate for uncollateralized derivatives.

Government bonds, corporate bonds and equities

CGML uses quoted market prices to determine the fair value of government bonds and exchange-traded equities; such items are typically classified as Level 1 or Level 2 of the fair value hierarchy.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Government bonds, corporate bonds and equities (continued)

For government bonds, corporate bonds and equities traded over the counter, for which a quoted price is not available, CGML generally determines fair value utilising internal valuation techniques, including discounted cash flows, price based and internal models. Fair value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent vendors. Vendors compile prices from various sources and may apply alternative pricing techniques, such as matrix pricing, whereby a similar instrument is used as a proxy for similar bonds or loans where no price is observable. If available, the Company may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Government bonds, corporate bonds and equities priced using such methods are generally classified as Level 2. However, when a quoted price is stale, a significant adjustment to the price of a similar security is necessary to reflect differences in the terms of the actual security being valued, or prices from independent sources are insufficient to corroborate valuation, a security is generally classified as Level 3

Collateralised financing transactions

No quoted prices exist for such financial instruments and so fair value is determined using a discounted cash-flow technique. Cash flows are estimated based on the terms of the contract, taking into account any embedded derivative or other features. Expected cash flows are discounted using market rates appropriate to the maturity of the instrument as well as the nature and amount of collateral taken or received. Generally, when such instruments are held at fair value, they are classified within Level 2 of the fair value hierarchy as the inputs used in the valuation are readily observable.

Changes in Level 3 Fair Value Category

The following tables present the changes in the Level 3 fair value category for the years ended 31 December 2021 and 31 December 2020. Gains and losses presented below include changes in the fair value related to both observable and unobservable inputs. CGML often hedges positions with offsetting positions that are classified in a different level.

2021	At 1 January 2021 \$ Million	Gain/(loss) recorded in the profit and loss statement						Transfers into Level 3 \$ Million	Transfers out of Level 3 \$ Million	At 31 December 2021 \$ Million
		Realised \$ Million	Unrealised \$ Million	Purchases \$ Million	Sales \$ Million	Issuances \$ Million	Settlements \$ Million			
Financial assets mandatorily at fair value										
Derivatives	3,008	289	(129)	199	(34)	—	(751)	2,848	(2,466)	2,964
Government bonds	24	23	3	30	(90)	—	—	138	(99)	29
Non-government bonds	485	76	(122)	1,567	(1,197)	—	—	200	(348)	661
Equities	21	23	5	39	(141)	—	—	106	(11)	42
Financial assets designated at fair value										
Collateralised financing transactions	93	(11)	14	217	—	—	(224)	64	(61)	92
Other assets at fair value through P&L										
Equity securities held for investment	99	—	7	—	—	—	—	—	—	106
	3,730	400	(222)	2,052	(1,462)	—	(975)	3,356	(2,985)	3,894

2020	At 1 January 2020 \$ Million	(Gain)/loss recorded in the profit and loss statement						Transfers into Level 3 \$ Million	Transfers out of Level 3 \$ Million	At 31 December 2020 \$ Million
		Realised \$ Million	Unrealised \$ Million	Purchases \$ Million	Sales \$ Million	Issuances \$ Million	Settlements \$ Million			
Financial liabilities held for trading										
Derivatives	2,918	191	1,020	157	(2)	—	(374)	2,858	(3,033)	3,735
Securities sold but not yet purchased	123	18	(81)	10	(10)	30	(41)	24	(33)	40
Financial liabilities designated at fair value										
Hybrid financial liabilities	4,492	(104)	(177)	—	—	2,371	(1,900)	266	(777)	4,171
	7,533	105	762	167	(12)	2,401	(2,315)	3,148	(3,843)	7,946

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

2020	At 1 January 2020 \$ Million	Gain/(loss) recorded in the profit and loss statement						Transfers into Level 3 \$ Million	Transfers out of Level 3 \$ Million	At 31 December 2020 \$ Million
		Realised \$ Million	Unrealised \$ Million	Purchases \$ Million	Sales \$ Million	Issuances \$ Million	Settlements \$ Million			
Financial assets mandatorily at fair value										
Derivatives	1,432	645	(439)	118	(31)	—	(545)	2,128	(300)	3,008
Government bonds	14	8	(7)	29	(36)	—	—	18	(2)	24
Non-government bonds	257	54	7	802	(874)	—	(3)	303	(61)	485
Equities	14	2	(9)	23	(49)	—	—	41	(1)	21
Financial assets designated at fair value										
Collateralised financing transactions	102	(12)	10	179	—	—	(186)	—	—	93
Other assets at fair value through P&L										
Equity securities held for investment	71	(18)	46	—	—	—	—	—	—	99
	<u>1,890</u>	<u>679</u>	<u>(392)</u>	<u>1,151</u>	<u>(990)</u>	<u>—</u>	<u>(734)</u>	<u>2,490</u>	<u>(364)</u>	<u>3,730</u>
(Gain)/loss recorded in the profit and loss statement										
2020	At 1 January 2020 \$ Million	(Gain)/loss recorded in the profit and loss statement						Transfers into Level 3 \$ Million	Transfers out of Level 3 \$ Million	At 31 December 2020 \$ Million
		Realised \$ Million	Unrealised \$ Million	Purchases \$ Million	Sales \$ Million	Issuances \$ Million	Settlements \$ Million			
Financial liabilities held for trading										
Derivatives	1,349	643	(253)	4	39	—	(286)	2,098	(676)	2,918
Securities sold but not yet purchased	350	(94)	157	—	1	29	(105)	49	(264)	123
Financial liabilities designated at fair value										
Collateralised financing transactions	3,358	312	217	—	—	2,884	(2,729)	518	(68)	4,492
	<u>5,057</u>	<u>861</u>	<u>121</u>	<u>4</u>	<u>40</u>	<u>2,913</u>	<u>(3,120)</u>	<u>2,665</u>	<u>(1,008)</u>	<u>7,533</u>

During 2021 there has been a \$0.6 billion increase in total Level 3 balances driven by a \$0.2 billion increase on assets and by a \$0.4 billion increase on liabilities.

The Level 3 increase on assets was driven by a \$3.4 billion increase on Level 3 transfer-ins which was partly offset by a \$3.0 billion decrease Level 3 transfer-outs. The Level 3 asset increase on transfer-ins was driven by \$1.0 billion on equity derivatives mainly on equity options, by \$0.7 billion on credit derivatives mainly on credit default swaps, by \$0.6 billion on interest rate derivatives mainly on exotic interest rate derivatives and callable swaps and by \$0.4 billion on commodity derivatives mainly on commodity swaps. The Level 3 asset decrease on transfer-outs was driven by \$0.8 billion on credit derivatives mainly on credit default swaps, by \$0.7 billion on commodity derivatives mainly on commodity swaps and commodity options, by \$0.6 billion on interest rate derivatives mainly on inflation linked derivatives and callable swaps and by \$0.3 billion on foreign exchange derivatives mainly on foreign exchange options.

The Level 3 increase on liabilities was driven by a \$3.1 billion increase on Level 3 transfer-ins, by a \$0.9 billion increase on gains/losses and by a \$0.2 billion increase on purchases which was partly offset by a \$3.8 billion decrease on Level 3 transfer-outs. The Level 3 liability increase on transfer-ins was driven by \$1.2 billion on equity derivatives mainly on equity options, by \$0.6 billion on credit derivatives mainly on credit default swaps and by \$0.6 billion on interest rate derivatives mainly on inflation linked derivatives, callable swaps and exotic interest rate derivatives. The Level 3 liability increase on gains/losses was driven by a \$0.8 billion on equity derivatives mainly on equity options and hybrid derivatives. The Level 3 liability increase on purchases was driven by equity options and commodity options. The Level 3 liability decrease on transfer-outs was driven by \$0.8 billion on hybrid financial liabilities mainly driven by structured notes, by \$1.0 billion on equity derivatives mainly on equity options, by \$0.7 billion on interest rate derivatives mainly on inflation linked derivatives, interest rate swaps and callable swaps and by \$0.7 billion on credit derivatives mainly on credit default swaps.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Level 3 transfer-ins on assets and liabilities were driven by significance testing, Level 3 transfer-outs on assets and liabilities were driven by significance testing, methodology changes and increased trading activity observability.

Fair Value Hierarchy Classification

Unobservable inputs

During the year, total changes in fair value, representing a loss of \$688 million (2020: \$695 million loss) was recognised in the income statement relating to items where fair value was estimated using a valuation technique that incorporated one or more significant inputs based on unobservable market data. As these valuation techniques were based upon assumptions, changing the assumptions would change the estimate of fair value. The potential impact of using reasonably possible assumptions in line with those used for the Company's Regulatory Prudential Adjustment for the valuation techniques for both observable and unobservable market data has been quantified as approximately \$647 million downside and \$659 million upside (2020: \$515 million downside and \$359 million upside). The main contributors to this impact were Equity Markets, Credit Trading and Interest Rates Trading businesses.

Valuation uncertainty is computed on a quarterly basis. The methodology used to derive the impact across each product is determined by applying adjustments to the price or significant model input parameters used in the valuation.

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

- Equity Markets: Valuation uncertainty is computed from independent pricing and quote dispersion data sources.
- Credit Trading: Valuation uncertainty is computed from a combination of consensus market data, broker data and proxy analysis using third party data providers.
- Commodity Markets: Valuation uncertainty is computed from a combination of consensus market data and proxy analysis using third party data providers.
- Interest Rate Trading: Valuation uncertainty is computed from a combination of consensus market data and proxy analysis using third party data providers.

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of 31 December 2021 and 31 December 2020. Note that these tables represent key drivers by disclosures line and may not agree back to the Changes in Level 3 Fair Value Category table.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

2021	Fair Value \$ Million	Methodology	Input	Range of Inputs		Unit
				Min	Max	
Assets						
<u>Derivative assets</u>	2,964					
Equity Derivatives		Model-based	Equity Volatility	0.1	290.6	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	58.0	165.8	%
Commodity Derivatives		Model-based	Forward Price	8.0	599.4	%
		Model-based	Commodity Volatility	10.9	188.3	%
		Model-based	Commodity Correlation	-50.5	89.8	%
Credit Derivatives		Model-based	Credit Spread	1.0	874.7	bps
Foreign Exchange Derivatives		Model-based	Yield	-0.7	0.6	%
<u>Inventory</u>	732					
Non-government bonds		Model-based	Equity Volatility	0.1	290.6	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	58.0	165.8	%
Equity		Price-based	Price	0.0	12,874.6	\$
Liabilities						
<u>Derivative liabilities</u>	3,735					
Commodity Derivatives		Model-based	Forward Price	8.0	599.4	%
		Model-based	Commodity Volatility	10.9	188.3	%
		Model-based	Commodity Correlation	-50.5	89.8	%
Equity Derivatives		Model-based	Equity Volatility	0.1	290.6	%
		Model-based	Equity-Equity Correlation	-6.5	99.0	%
		Model-based	Commodity Correlation	-50.5	89.8	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	58.0	165.8	%
		Model-based	Dividend amount	0.1	264.5	\$
		Model-based	FX Volatility	0.1	41.8	%
		Model-based	Equity-IR Correlation	-3.5	60.0	%
Credit Derivatives		Model-based	Credit Spread	1.0	874.7	bps
Foreign Exchange Derivatives		Model-based	Yield	-0.7	0.6	%
Interest Rate Derivatives		Model-based	IR-FX Correlation	-31.9	51.6	%
<u>Securities sold but not yet purchased</u>	40	Price-based	Price	0.0	12,874.6	\$
<u>Hybrid financial liabilities</u>	4,171					
		Model-based	Equity Volatility	0.1	290.6	%
		Model-based	FX Volatility	0.1	41.8	%
		Model-based	Equity-IR Correlation	-3.5	60.0	%
		Model-based	Commodity Correlation	-50.5	89.8	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	58.0	165.8	%
		Model-based	IR Normal Volatility	0.2	0.9	%

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

2020	Fair Value		Input	Range of Inputs		Unit
	\$ Million	Methodology		Min	Max	
Assets						
<u>Derivative assets</u>	3,008					
Interest Rate Derivatives		Model-based	IR Normal Volatility	0.1	0.5	%
		Model-based	Inflation Volatility	0.3	2.4	%
Equity Derivatives		Model-based	Equity-FX Correlation	-84.8	47.3	%
Commodity Derivatives		Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	-44.9	95.9	%
Foreign Exchange Derivatives		Model-based	FX Volatility	1.7	12.6	%
<u>Inventory</u>						
Government bonds	531	Price-based	Price	—	865.9	\$
Non-government bonds		Price-based	Price	—	2,264.7	\$
Equity		Price-based	Price	0.0	865.9	\$
Liabilities						
<u>Derivative liabilities</u>	2,918					
Commodity Derivatives		Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	Commodity Correlation	-44.9	95.9	%
Equity Derivatives		Model-based	Equity Volatility	15.7	70.7	%
		Model-based	Equity-Equity Correlation	-75.0	98.8	%
		Model-based	Equity-FX Correlation	-84.8	47.3	%
Foreign Exchange Derivatives		Model-based	FX Volatility	1.7	12.6	%
Interest Rate Derivatives		Model-based	Inflation Volatility	0.3	2.4	%
Securities sold but not yet purchased	123	Price-based	Price	—	865.9	\$
Hybrid financial liabilities	4,492	Model-based	Equity Volatility	14.1	91.4	%
		Model-based	Forward Price	15.4	262.0	%
		Model-based	Commodity Volatility	0.2	80.2	%
		Model-based	IR Normal Volatility	0.1	0.7	%
		Model-based	IR-FX Correlation	-31.9	73.8	%
		Model-based	IR-IR Correlation	-10.0	56.1	%

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability. For certain instruments, the pricing, hedging and risk management are sensitive to the correlation between various inputs rather than on the analysis and aggregation of the individual inputs.

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Yield

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

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

Volatility

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to Citi of maintaining a given level of exposure increases because more frequent rebalancing of the portfolio is required. Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike are not observable and need to be estimated using alternative methods, such as using comparable instruments, historical analysis or other sources of market information. This leads to uncertainty around the final fair value measurement of instruments with unobservable volatilities.

The general relationship between changes in the value of a portfolio to changes in volatility also depends on changes in interest rates and the level of the underlying index. Generally, long option positions (assets) benefit from increases in volatility, whereas short option positions (liabilities) will suffer losses. Some instruments are more sensitive to changes in volatility than others. For example, an at-the-money option would experience a greater percentage change in its fair value than a deep-in-the-money option. In addition, the fair value of an option with more than one underlying security (e.g., an option on a basket of bonds) depends on the volatility of the individual underlying securities as well as their correlations.

Correlation

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

Qualitative discussion of the ranges of significant unobservable inputs

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

Price

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Financial assets and liabilities accounting classifications and fair values (continued)

Yield

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

Volatility

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

Correlation

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

16. Equity securities held for investment

	Unlisted Investments 2021 \$ Million	Unlisted Investments 2020 \$ Million
Fair value		
At 1 January	99	71
Additions	—	1
Disposals	—	—
Gains recognised in income statement	7	27
At 31 December	106	99

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Involvement with unconsolidated structured entities

The table below describes the types of Variable Interest Entities (VIEs) that are not controlled by CGML but in which it holds an interest.

Type of structured entity	Nature and purpose	2021		2020	
		Total VIE assets \$ Million	CGML exposure \$ Million	Total VIE assets \$ Million	CGML exposure \$ Million
Investment Funds	Fund/Limited Partnership Structure	200	1	249	—
Client Intermediation	Credit Derivative Repack Vehicle/Credit Derivatives	213	211	46	43
Collateralized Loan Obligations	Synthetic CDO	2	1	—	—
		<u>415</u>	<u>213</u>	<u>295</u>	<u>43</u>

Investment funds

The objective of these funds is to seek income and capital gains from investing in US government securities. Funding is provided by investors in the fund, who are professional or institutional investors. CGML is the derivative swap counterparty to the fund which is the source of its exposure. The derivative transactions are FX options and swaps.

Client Intermediation

Client intermediation transactions represent a range of transactions designed to provide investors with specified returns based on the returns of an underlying security, referenced asset or index. The Company's involvement in these transactions includes being the counterparty to the entity's derivative instruments. The derivative transactions are FX options and swaps.

Collateralised Loan Obligations (CLOs)

A collateralised loan obligation (CLO) is a VIE that purchases a portfolio of assets consisting primarily of non-investment grade corporate loans. CLOs issue multiple tranches of debt and equity to investors to fund the asset purchases and pay upfront expenses associated with forming the CLO. Citi serves as a structuring and placement agent with respect to the CLOs. Typically, the debt and equity of the CLOs are sold to third-party investors. The Company generally does not have the power to direct the activities that most significantly impact the economic performance of the CLOs, as this power is generally held by a third-party asset manager of the CLO.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Other Assets

The following amounts are included in Other Assets:

	2021	2020
	\$ Million	\$ Million
Cash collateral pledged	35,263	39,570
Trade debtors	21,155	15,422
Other debtors	603	456
Prepayments and accrued income	23	28
Corporation tax receivable	113	73
Deferred tax asset (Note 22)	337	251
Intangible fixed assets (Note 19)	244	213
Tangible fixed assets - equipment (Note 19)	1	1
Tangible fixed assets - premises improvement (Note 19)	1	2
	<u>57,740</u>	<u>56,016</u>

Included within Trade Debtors are receivables from central clearing counterparties, securities trading receivables outside standard settlement, and other brokerage receivables.

Other Assets includes the following balances due from other Citi affiliates:

	2021	2020
	\$ Million	\$ Million
Trade debtors	5,159	3,837
Cash collateral pledged	4,488	5,053
Other debtors	206	120
	<u>9,853</u>	<u>9,010</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Intangible and Tangible fixed assets

The movement in Intangible and Tangible fixed assets for 2021 was as follows:

2021	Intangible	Tangible Fixed Assets	
	Software \$ Million	Equipment \$ Million	Premises improvements \$ Million
Cost			
At 1 January 2021	670	6	13
Additions	83	—	—
Disposals	—	—	—
At 31 December 2021	<u>753</u>	<u>6</u>	<u>13</u>
Accumulated amortisation/depreciation			
At 1 January 2021	457	5	11
Charge for the year (Note 7)	52	—	1
At 31 December 2021	<u>509</u>	<u>5</u>	<u>12</u>
Net book value			
At 31 December 2021	<u>244</u>	<u>1</u>	<u>1</u>

The movement in Intangible and Tangible fixed assets for 2020 was as follows:

2020	Intangible	Tangible Fixed Assets	
	Software \$ Million	Equipment \$ Million	Premises improvements \$ Million
Cost			
At 1 January 2020	608	5	13
Additions	64	1	—
Disposals	(2)	—	—
At 31 December 2020	<u>670</u>	<u>6</u>	<u>13</u>
Accumulated amortisation/depreciation			
At 1 January 2020	408	4	10
Charge for the year (Note7)	49	1	1
At 31 December 2020	<u>457</u>	<u>5</u>	<u>11</u>
Net book value			
At 31 December 2020	<u>213</u>	<u>1</u>	<u>2</u>

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20. Investments in subsidiary and related undertakings

	2021	2020
	\$ Million	\$ Million
Cost		
At 1 January	2,125	1,487
Additions	1,705	642
Disposals	—	(4)
At 31 December	<u>3,830</u>	<u>2,125</u>
Impairment		
At 1 January	—	88
(Reversal)/Charge for the year:	—	(88)
At 31 December	<u>—</u>	<u>—</u>
Net book value		
At 31 December	<u>3,830</u>	<u>2,125</u>

Details of all related undertakings held at 31 December 2021 as required by CA2006 SI 2008 No 410 Sch 4 Para 1 are set out below. All undertakings have a year end of 31 December and all of the Company's holdings are of ordinary shares.

On 2 February 2021, CGML made a capital contribution of \$700 million to its subsidiary, CGME. On 12 April 2021, CGME received further capital contribution of \$500 million from CGML. On 23 June 2021 CGML made further capital contribution of \$503 million to its subsidiary, CGME. During 2020 CGML made a total of \$642 million of capital contribution to CGME.

Citigroup Global Markets Luxembourg S.a.R.L was liquidated on 7 December 2021.

Due to the increased performance of CGME in 2020, the \$88 million of investment write down from 2019 was reversed in the prior year in accordance with principal accounting policy 1(c).

Directly held subsidiary undertakings (all 100% owned)

<u>Name</u>	<u>Registered address</u>
Citigroup Global Markets Europe AG	16 Reuterweg, Frankfurt am Main 30323, Germany
Citigroup Global Markets Luxembourg S.a.R.L. (liquidated in December 2021)	31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg
Citigroup Global Markets Funding Luxembourg SCA	31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg
Citigroup Global Markets Funding Luxembourg GP S.a.R.L.	31, Z.A. Bourmicht, L-8070 Bertrange, Luxembourg
Citi Global Wealth Management S.A.M.	Monte Carlo Palace, 7-9 Boulevard des Moulins, MC98000 Monaco

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. Pledged assets

Collateral accepted as security for assets

The fair value of financial assets including government bonds, Eurobonds and other corporate bonds, equities, and cash accepted that were permitted to be sold or re-pledged in the absence of default was \$342 billion (2020: \$351 billion). The fair value of the collateral accepted that had been re-pledged at 31 December 2021, was \$292 billion (2020: \$301 billion). The Company was obliged to return equivalent securities. Where the collateral was used in secured financing transactions, these transactions were conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

Where the collateral was used for derivative transactions, this was conducted under industry-standard ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements.

Financial assets pledged to secure liabilities

The total value of purchased financial assets including government bonds, Eurobonds and other corporate bonds, equities and cash that were pledged as collateral for liabilities at 31 December 2021, was \$80 billion (2020: \$90 billion). These transactions were conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

The table below sets out an analysis of balance sheet encumbered (pledged) and unencumbered (not pledged) assets.

The asset encumbrance analyses below is unaudited.

An asset shall be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn. Correspondingly an asset shall be deemed to be unencumbered where CGML is not subject to any legal, contractual, regulatory, or other restriction preventing it from liquidating, selling, transferring, assigning or, generally, disposing of such asset via active outright sale or repurchase agreement.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21. Pledged assets (continued)

2021	Encumbered \$ Million	Non-encumbered \$ Million	Total \$ Million
Assets			
Cash at bank and in hand	—	8,463	8,463
Equity instruments	18,535	2,455	20,990
Debt securities	39,918	3,843	43,761
Collateralised financing transactions	—	158,563	158,563
Other assets	21,560	197,944	219,504
Total	80,013	371,268	451,281
Collateral Received			
Equity instruments	45,819	1,430	47,249
Debt securities	245,692	34,585	280,277
Other collateral received	—	14,983	14,983
Total	291,511	50,998	342,509
2020			
	Encumbered \$ Million	Non-encumbered \$ Million	Total \$ Million
Assets			
Cash at bank and in hand	—	5,505	5,505
Equity instruments	19,866	3,244	23,110
Debt securities	47,145	3,497	50,642
Collateralised financing transactions	—	154,195	154,195
Other assets	23,013	249,594	272,607
Total	90,024	416,035	506,059
Collateral Received			
Equity instruments	48,780	2,142	50,922
Debt securities	252,678	30,550	283,228
Other collateral received	—	17,274	17,274
Total	301,458	49,966	351,424

22. Deferred tax asset

The movement in deferred tax in the year is as follows:

	2021 \$ Million	2020 \$ Million
At 1 January	251	202
Deferred tax movement related to IFRS 9 adjustments	—	2
Income statement movement relating to deferred tax	79	33
Deferred tax movement in equity	7	14
At 31 December	337	251

Deferred tax is recognised on the Company's temporary differences as it is considered probable that taxable profits will arise against which these can be utilised. The deferred tax asset is recognised at the tax rates at which the temporary differences are expected to reverse.

There is also a deferred tax liability of \$181 million on the pension asset which is reflected in Note 8 Pension.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

22. Deferred tax asset (continued)

The deferred tax asset in the balance sheet comprises:

	2021	2020
	\$ Million	\$ Million
Accelerated tax depreciation	5	16
Deferred compensation	277	193
DVA in OCI	61	56
Provisions and other temporary differences	(6)	(14)
	<u>337</u>	<u>251</u>

The deferred tax movement in the income statement comprises:

	2021	2020
	\$ Million	\$ Million
Accelerated tax depreciation	11	6
Deferred compensation	(84)	(48)
Provisions and other temporary differences	(6)	9
	<u>(79)</u>	<u>(33)</u>

The deferred tax movement in equity comprises:

	2021	2020
	\$ Million	\$ Million
DVA in Statement of comprehensive income	(7)	(30)
Share based payment transactions in Equity reserve	—	16
	<u>(7)</u>	<u>(14)</u>

23. Other Liabilities

The following amounts are included within Other Liabilities. Included within 'Other creditors and accruals' is the accrual in respect of the bank levy.

	2021	2020
	\$ Million	\$ Million
Cash collateral held	27,948	29,444
Trade creditors	16,392	9,860
Other creditors and accruals	2,079	1,970
Payroll taxes	72	33
Corporation tax payable	—	—
Deferred tax liability on pensions (Note 8)	181	121
Provisions for liabilities and charges (Note 24)	40	45
	<u>46,712</u>	<u>41,473</u>

Trade Creditors includes customer margin trading payables, securities trading payables outside standard settlement and other brokerage payables.

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NOTES TO THE FINANCIAL STATEMENTS

23. Other Liabilities (continued)

Included within Other Liabilities are the following balances due to other Citi affiliates:

	2021 \$ Million	2020 \$ Million
Cash collateral held	2,015	1,421
Trade creditors	5,053	1,108
Other creditors and accruals	212	569
	7,280	3,098

24. Provisions for liabilities

	Restructuring provision \$ Million	Litigation provisions \$ Million	Other provisions \$ Million	Total \$ Million
At 1 January 2021	13	28	4	45
Charge to profits	16	2	—	18
Provisions utilised	(21)	(1)	—	(22)
Exchange adjustments	(1)	—	—	(1)
At 31 December 2021	7	29	4	40

For reasons of privilege and confidentiality, no further information is disclosed in respect of the litigation provision. Notwithstanding, Citigroup Inc. files periodic reports with the U.S. Securities and Exchange Commission (“SEC”) as required by the Securities Exchange Act 1934 which include details of any material regulatory proceedings, investigations and litigations concerning Citigroup and its subsidiaries. Copies of Citigroup's reports are on file with the SEC and are available at <http://www.citigroup.com/citi/investor/sec.htm>. Other provisions are held in respect of accounting reconciliation and control procedures as part of the balance sheet substantiation process.

25. Derecognition of financial assets and financial liabilities

Transferred financial assets that are not derecognised in their entirety

There are certain instances where the Company continues to recognise financial assets that it has transferred.

CGML enters into collateralised financing transactions where it sells or lends debt or equity securities with a concurrent agreement to repurchase them. As significantly all of the risks and rewards of the underlying securities are retained, a collateralised financing liability is recognised and the securities remain on balance sheet. As at 31 December 2021, the Company recognised \$35 billion of assets (2020: \$36 billion), with an associated \$33 billion of collateralised financing liabilities (2020: \$40 billion).

CGML also enters into collateralised financing transactions where it sells debt or equity securities and simultaneously undertakes a swap transaction for the same underlying instrument. As significantly all of the risks and rewards of the underlying securities are retained, a collateralised financing liability is recognised and the securities remain on balance sheet. As at 31 December 2021 the Company recognised \$335 million of inventory (2020: \$376 million) with associated collateralised financing liabilities of \$341 million (2020: \$372 million) for transactions of this nature.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

26. Trading financial assets and liabilities

Any initial gain or loss on financial instruments where valuation is dependent on techniques using unobservable parameters is deferred over the life of the contract or until the instrument is redeemed, transferred, or sold or the fair value becomes observable. In case the transaction price in the market in which these transactions are undertaken is different from the fair value in the Company's principal market for those instruments, the fair value of these transactions are also estimated by using valuation techniques.

The table below sets out the aggregate difference yet to be recognised in profit or loss at the beginning and end of the year with a reconciliation of the changes of the balance during the year for those financial assets and liabilities classified as trading.

	2021 \$ Million	2020 \$ Million
Unamortised balance at 1 January	41	45
Deferral on new transactions	160	18
Recognised in the income statement during the period:		
– amortisation	(42)	(22)
Unamortised balance at 31 December	159	41

27. Subordinated loans

The subordinated loans form part of the Company's regulatory capital resources held to meet its capital and minimum eligible liability requirements. The loans, on which interest is payable at market rates on quarterly basis, are due to other group undertakings. The following amounts were included within subordinated loans:

Subordinated Loans	Currency	\$ Million	Weighted Average Interest Rate	Weighted Average Maturity (Years)
31 December 2021	USD	8,600	2.14%	7.40
31 December 2020	USD	10,600	2.31%	6.67

As at 31 December 2021, subordinated loans consists of a) \$6,000 million of Minimum Requirements for Own Funds and Eligible Liabilities (MREL) eligible subordinated loans (MREL loans) from Citicorp LLC and b) \$2,600 million of Tier 2 subordinated loans (Tier 2 loans) from Citicorp LLC.

On 8 June 2021 CGML repaid \$2,000 million of MREL loans to Citicorp LLC. On 16 September 2021, CGML repaid \$2,000 million of Tier 2 loans to Citicorp LLC. On 7 December 2021 CGML issued \$2,000 million of MREL loans to Citicorp LLC.

The MREL loans rank as senior subordinated claims, which are subordinate to the claims of senior creditors, but rank ahead of Own Funds Instruments, which comprise Common Equity Tier 1 instruments, Additional Tier 1 instruments (see Note 28) and Tier 2 instruments.

The Tier 2 loans rank as subordinated claims, which are subordinated to senior creditors and MREL loans but rank ahead of Common Equity Tier 1 instruments and Additional Tier 1 instruments.

In the event that the Company's Own Funds Instruments have been written down, or if the Company or certain of its direct or indirect parent entities are subject to Resolution Proceedings in the UK or elsewhere, then all or a portion of the subordinated loans and/or interest on them shall be reduced or cancelled as instructed by the UK Resolution Authority (Bank of England).

There are no other circumstances under which early repayment may be demanded by the lender.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28. Capital and Reserves

(a) Called up share capital

CGML's share capital comprises:

	2021	2020
	\$ Million	\$ Million
Allotted, called-up and fully paid:		
19,998,975,176 ordinary shares of a par value of \$1 each	19,999	1,500
	<u>19,999</u>	<u>1,500</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

(b) Other equity instruments

On 16 September 2021, the Company issued \$2,000 million of Additional Tier 1 Notes to Citicorp LLC, another Citi entity. As at 31 December 2021, the other equity instruments of CGML consist of a) \$2,000 million of Additional Tier 1 Notes to Citicorp LLC b) \$2,300 million of Additional Tier 1 Notes to Pipestone LLC, another Citi entity.

The notes are perpetual with no fixed redemption date, and are redeemable at the issuer's option subject to approval from the PRA. Interest is fixed every 5 years, interest payments are not cumulative and the issuer may cancel any interest payment at its sole discretion. The notes do not confer any voting rights.

In the event that CGML's Common Equity Tier 1 (CET1) ratio falls below 7.0%, the notes will be written down to zero. If a winding up occurs under these circumstances, no payment will be made to the noteholders. If a winding up takes place under any other circumstances, the noteholders will rank *pari passu* with the holders of the most senior class(es) of preference shares (if any) and ahead of all other classes of issued shares, but junior to the claims of senior creditors, for the amount of the principal and any accrued but unpaid interest on the notes.

(c) Capital reserve

During 2021, CGML received \$5.5 billion from its parent, Citigroup Global Markets Holdings Bahamas Limited (CGMHBL). During 2020, CGML received \$2 billion from its parent, CGMHBL.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management

Risk Management Overview and Culture

For Citi, effective risk management is of primary importance to its overall operations. Accordingly, the Company's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. Specifically, the activities that the Company engages in, and the risks those activities generate, must be consistent with Citi's mission and value proposition, the key principles that guide it and the Company's risk appetite.

Risk management must be built on a foundation of ethical culture. Under Citi's mission and value proposition, which was developed by its senior leadership and distributed throughout the firm, Citi strives to serve as a trusted partner to its clients by responsibly providing financial services that enable growth and economic progress while earning and maintaining the public's trust by constantly adhering to the highest ethical standards. As such, Citi asks all employees to ensure that their decisions pass three tests: they are in clients' interests, create economic value and are always systemically responsible. Additionally, Citi evaluates employees' performance against behavioural expectations set out in its leadership standards, which were designed in part to effectuate Citi's mission and value proposition. Other culture-related efforts in connection with conduct risk, ethics and leadership, escalation, and treating customers fairly help Citi to execute its mission and value proposition.

Citi's Company-wide risk governance framework consists of the key policies, standards and processes through which Citi identifies, assesses, measures, monitors and controls risks across the Company. CGML adopted and follows Citi's globally set policies, tailored as appropriate for the Company. It also emphasises Citi's risk culture and lays out standards, procedures and programmes that are designed to set, reinforce and enhance the Company's risk culture, integrate its values and conduct expectations into the organisation, providing employees with tools to assist them with making prudent and ethical risk decisions and to escalate issues appropriately.

Citi selectively takes risks in support of its underlying customer-centric strategy. Citi's objective is to ensure that those risks are consistent with its mission and value proposition and principle of responsible finance; that they are identified, assessed, measured, monitored, and controlled; and that they are captured in Citi's risk/reward assessment.

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

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

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

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

Risk Appetite Framework

The Company's risk capacity and risk appetite framework includes principle-based qualitative boundaries to guide behaviour and quantitative boundaries within which the Company will operate, focusing on ensuring it has sufficient capital resources for the risks to which the Company could be exposed. The Company's Board of Directors sets the Company's risk capacity and risk appetite, and incorporates management judgement regarding prudent risk taking and growth in light of the business environment within which the Company operates.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Risk Appetite Framework (continued)

The Company's Board of Directors, with input from senior Citi and Company management, sets overarching expectations and holds management accountable for ensuring the risk profile remains within this appetite.

CGML Risk Committee

The CGML Risk Committee assists the Board in fulfilling its responsibility for oversight of the risks the Company faces including, but not limited to, market, liquidity, credit, and operational risks; their alignment with the Company's strategy, capital adequacy and the macroeconomic environment; and the development of a strategy to manage these risks. The CGML Risk Committee meets at a minimum quarterly.

Managing Risk across Businesses, Regions, Products and Legal entities

Citi manages risk across four dimensions: businesses, regions, products and legal entities. The Company's risk management framework aims to recognise the range of the Company's global business activities by combining corporate oversight with independent risk management functions within each business.

CGML utilises Citi's overarching risk management model and organisation, with its multi-dimensional risk oversight, people, processes and systems in order to ensure robust oversight of entity risks. In addition, CGML has developed entity specific risk management and controls detailed in CGML's Risk Management Framework, to ensure that there is local challenge to risk taking and that Citi's approach is appropriate for CGML. The EMEA Chief Risk Officer (CRO) is the UK Senior Manager for Risk and together with the UK CRO and other Risk senior management delegates are responsible for the independent review and challenge of the risks facing CGML, including market risk, counterparty credit risk, credit risk, operational risk and liquidity risk. With respect to Compliance Risk, CGML has a dedicated Compliance Officer with direct access to the Board and Board Risk and Audit Committee members. The CGML Compliance Officer also has a matrix reporting line to the EMEA Chief Compliance Officer who is the UK Senior Manager for Compliance. The UK CRO is responsible for the day-to-day management of risk on CGML, including execution of the various risk management responsibilities as detailed in the Risk Management Framework.

CGML has through its Risk Management Framework and escalation guidelines developed protocols and processes for prompt and consistent escalation of matters or issues across both financial and non-financial risk types. The early recognition, escalation and resolution of issues or concerns is key to mitigate risks and is critical to CGML's business model. Timely escalation enables the UK Senior Managers to make informed assessment on the legal entity impact, underlying root causes and required corrective actions. In addition to the timely escalation protocols and process, CGML also has an integrated series of committees across the risk types, that comprises consists of both first line business and second line expertise in their memberships in order to provide oversight of the management and escalation of risks to both the CGML Risk Committee and the CGML Board.

Risk Aggregation and Stress Testing

The Citi Chief Risk Officer is responsible for monitoring and controlling major risk exposures and concentrations across the organisation. This means aggregating risks, within and across businesses, as well as subjecting those risks to alternative stress scenarios in order to assess the potential economic impact they may have on Citi. This aggregation is also performed at a Company level under the accountability of the Company's CRO.

Stress tests are undertaken across Citi and the Company and cover mark-to-market, available-for-sale, and amortised cost portfolios. These firm-wide stress reports seek to measure the potential impact to Citi, the Company and its component businesses, of stresses such as the risk of very large movements in a number of key risk factors (e.g. interest rates, credit spreads, equities, commodities prices), as well as the potential impact of a range of historical and hypothetical forward-looking systemic stress scenarios.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Risk Aggregation and Stress Testing (continued)

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

Market Risk

Market risk is the risk to earnings or capital from adverse changes in market factors. Price risk losses arise from fluctuations in the market value of trading and non-trading positions resulting from changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and in their implied volatilities. The Company's trading results are particularly exposed to movements in these market factors.

The Company's derivative transactions are principally carried out in equity, interest rate, credit, FX and commodity markets. Most of the counterparties to the Company's derivative transactions are banks and other financial institutions.

Market risk is measured through a complementary set of tools, including factor sensitivities, Value at Risk (VaR) and stress testing. Citi uses two complementary approaches to market risk stress testing across all major risk factors:

- Global Systemic Stress Testing (GSST) – top-down systemic stresses; and
- Business Specific Stress Testing (BSST) – bottom-up business specific stresses.

Systemic stress tests are designed to quantify the potential impact of extreme market movements on a firm-wide basis and are constructed using both historical periods of market stress and projections of adverse economic scenarios. Business specific stress tests are designed to probe the risks of particular portfolios and market segments, especially those risks that are not fully captured in VaR and systemic stresses. Both categories of stress testing can be based upon either a range of historical periods of market stress or purely hypothetical future market events.

In addition, the Company has a defined risk appetite framework which is supplemented by regular stress testing and daily monitoring against predefined limits with daily reporting to the UK CRO and senior management and quarterly reporting to the Board of Directors.

Each business that uses the Company in client-facing transactions is required to establish, with approval from the independent market risk management function, a market risk limit framework for identified risk factors. This framework must clearly define approved risk profiles, include permitted product lists, and must remain within the parameters of the overall market risk appetite. The established limits are monitored by market risk management. Exposure that approaches or exceeds limit or trigger levels is escalated within market risk management and to the Company's Market Risk Manager and UK CRO, with necessary actions taken.

In all cases, the businesses are ultimately responsible for the market risks taken and for remaining within their defined limits. Management of this process begins with the employees who work most closely with the Group's customers, products and markets and extends up to the senior executives who manage these businesses with a complementary aggregation up to the country level.

The following types of transactions are also subject to pre-trade market risk approvals where they meet the criteria in the associated policies and procedures below:

- Equity and Debt capital market transactions in conformance with the ICG Global Commitment Committee Policy and Procedures.
- Non-recourse collateralised financings in conformance with the ICG Convergence Risk Guidelines and Procedures for Collateralised Financing Transactions.
- Transactions considered as large, complex and illiquid in conformance with the ICG Standard for Pre-Trade Approval of Large, Complex and Illiquid Trades.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Market Risk (continued)

Transactions with estimated stress losses above defined levels require escalation to the EMEA Chief Risk Officer, the Company's Chief Executive Officer and to the Company's board.

The Company's VaR reports are circulated daily for monitoring of the VaR usage against the overall VaR limit. As well as an overall VaR limit, the Company has factor sensitivity limits and trigger levels in place for each market risk factor that are monitored daily. Factor sensitivities are defined as the change in the value of a position for a defined change in a market risk factor (e.g. the change in the value of a Treasury bill for a one basis point change in interest rates). It is the responsibility of each business to seek to ensure that factor sensitivities are calculated and reported for all relevant risks taken within a trading portfolio.

VaR Methodology

VaR is the estimate of the potential decline in the value of a position or a portfolio under normal market conditions. Citi uses a three year look back period for correlations between risk factors and the greater of three-year or, in most instances, effectively 30-day volatility. These market risk factors include material first and second-order risk sensitivities of various asset classes/risk types (such as interest rate, credit spread, foreign exchange, equity, and commodity risks). Citi uses a single, independently approved Monte Carlo simulation VaR model. The Monte Carlo simulation involves approximately 450,000 market factors, making use of approximately 350,000 time series, with sensitivities updated daily, volatility parameters updated intra-month and correlation parameters updated monthly. Citi's confidence interval is 99% and uses a 1-day time horizon in its management reporting.

VaR Limitations

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

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

Although it provides a valuable guide to risk, VaR should also be viewed in the context of its limitations:

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

Stressed VaR

Stressed Value-at-Risk is a VaR measure subject to the same confidence level and holding period applicable to the VaR-based measure, but with model inputs calibrated to historical data from a continuous 12-month period that reflects a period of significant financial stress appropriate to the firm's current portfolio. SVaR, like VaR, is produced daily with the selection of stress period for SVaR being evaluated at least quarterly.

Risk Analytics, Risk Data Governance and Management, and the Market Risk Managers are jointly responsible for overseeing the production of the SVaR calculations and are ultimately responsible for ensuring their integrity.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Stressed VaR (continued)

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

The following table summarises market risk by disclosing the Company's average Economic VaR during the reporting period on a month-end basis, together with the VaR as at 31 December, broken down into component Value at Risk (CVaR). CVaR represents the correlation or diversification adjusted standalone VaR contribution from a particular sub-portfolio.

	2021					
	\$ Million					
	Equity risk	Interest rate risk	Foreign exchange risk	Commodity risk	Credit risk	Overall VaR
Average	19.3	9.9	0.7	2.8	6.7	39.4
As at 31 December	22.5	7.8	2.4	2.7	7.8	43.2
Peak	36.3	22.4	3.2	13.6	13.5	54.6

	2020					
	\$ Million					
	Equity risk	Interest rate risk	Foreign exchange risk	Commodity risk	Credit risk	Overall VaR
Average	20.7	7.8	0.5	1.2	11.7	41.9
As at 31 December	20.1	9.5	0.6	(0.2)	9.6	39.6
Peak	76.7	18.5	5.7	9.0	31.8	100.7

Liquidity risk

Liquidity risk is defined as the risk that the firm will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs.

Citi operates a centralised treasury model, whereby the overall balance sheet is managed by Corporate Treasury through its Global Franchise and Regional and Country Treasurers. The EMEA Regional Treasurer is supported by the UK Treasurer who is responsible for the UK legal vehicles balance sheets and liquidity profile as well as those of CGML's subsidiaries.

The UK Treasurer heads the UK Legal Entity Treasury and Markets Business Treasury group, which is responsible for managing CGML's liquidity on a day-to-day basis.

The UK Legal Entity Treasury team is specifically responsible for the CGML's daily funding, liquidity risk management including intraday liquidity, liquidity stress testing, and providing oversight to the Fixed Income and Equity Finance desks including setting and monitoring limits.

The Legal Entity Treasury team in London is also responsible for managing the relationship with internal and external stakeholders. Internal stakeholders consist of Citi's senior management and Governance committees, the Finance desks, and New York Treasury. External stakeholders comprise of auditors, credit rating agencies and regulatory authorities. This team also provides oversight and governance to the teams in Budapest and Mumbai, to ensure adherence to the overall liquidity risk management framework.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Liquidity risk (continued)

CGML follows the Global standard liquidity operating framework or the liquidity stress continuum for managing liquidity integrating exit from business-as-usual to Stress and Recovery and Resolution as part of one holistic management framework.

A combination of metric monitoring, triggers, limits, and stress testing are utilised to identify and measure liquidity risk arising from various sources. Limits and triggers are used to control risks and stress assumptions are used to calibrate the level of adequate liquidity buffer under different stress scenarios. To provide for resilience under stress, CGML holds a buffer of high-quality liquid assets, which is comprised predominantly of US, European and UK government bonds.

Global Liquidity Management ('GLM') provides first line of defence oversight of liquidity management framework in order to ensure compliance to Liquidity Risk Management Policy. Second line oversight is provided by Independent Risk. The UK Asset and Liability Committee ('ALCO') is the primary governance committee for liquidity management. Oversight is provided by the UK Executive Committee, CGML Risk Committee and the Board.

Funding and Liquidity Objectives

Adequate liquidity and sources of funding are essential to Citi's businesses. Funding and liquidity risks arise from multiple factors, many of which are beyond Citi's direct control, such as disruptions in the financial markets, changes in key funding sources, credit spreads, alterations to Citi's credit ratings and political and economic conditions across the globe.

Citi's funding and liquidity objectives are to maintain adequate liquidity to:

- (i) fund its existing asset base;
- (ii) grow its core businesses;
- (iii) maintain sufficient excess liquidity, structured appropriately, to enable operation under a wide variety of market conditions, including both short and long-term market disruptions; and
- (iv) satisfy regulatory requirements.

These Citi-wide primary liquidity objectives have been adopted by CGML and approved as part of its Liquidity Risk Management Policy.

CGML funds itself through a combination of equity, long-term subordinated debt, long-term and short-term unsecured intercompany borrowings, short-term unsecured third-party borrowings ('BVU'), structured notes through CGMFL and secured financing. Long-term structural liquidity is formed of subordinated debt, stockholder's equity, and greater than 1 year to maturity intercompany loans. Day-to-day funding fluctuations are managed through short-term intercompany loans from Citicorp LLC.

Citigroup employs a 'single face to the market' approach for long-term benchmark unsecured borrowing. The long-term funding is down streamed to CGML from several funding sources. Long-term group borrowings and capital are considered stable given the nature of these sources. Senior unsecured and Subordinated debt is drawn from Citicorp LLC and subject to approved intercompany extension of credit agreements.

In order to meet its internal liquidity-related stress testing requirements and ratios, the Company holds a pool of liquid assets including highly liquid government bonds. This asset pool is reviewed on a daily basis and adjusted as necessary to maintain CGML's key liquidity ratios and metrics within the Board approved risk appetite. Increases to the asset pool are typically funded through increased intercompany unsecured long-term borrowing.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Liquidity risk (continued)

Liquidity Risk Management Framework

The Company's liquidity risk management framework is defined by Citi's Global Liquidity Risk Management Policy (the Policy), which is owned by the Citi Treasury Chief Risk Officer and is applicable to Citigroup Inc. and its consolidated subsidiaries. The Policy and any material amendments to it must be approved by the Citigroup Board of Directors.

As a part of the global framework, the Company is required to prepare a detailed plan of its liquidity position which also considers the forecast of future business activities. This plan is called the Funding and Liquidity Plan (FLP) and it addresses strategic liquidity issues and establishes the parameters for identifying, measuring, monitoring, and limiting liquidity risk and sets forth key assumptions for liquidity risk management.

In summary, the FLP is a strategic implementation of the global framework and is divided into the following components:

- Contingency Funding Plan (CFP) tested annually;
- Intra-day liquidity risk management plan; and
- Balance Sheet Funding and Liquidity Plan.

The Company's FLP is prepared annually, and the liquidity profile is monitored on an on-going basis and reported daily to key stakeholders including the UK Treasurer, Treasury CRO and UK ALCO members. Liquidity risk is monitored using various ratios and limits in accordance with the Liquidity Risk Management Policy for Citi. The FLP includes a forecast of CGML's balance sheet and liability metrics as well as an overview of the current secured financing market conditions as observed by the Finance desks. As part of the FLP, liquidity limits, liquidity ratios and assumptions for periodic stress tests are reviewed and approved by the UK ALCO, Citi Treasurer and Treasury CRO.

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

Funding and Liquidity Risk Governance

The UK ALCO is the primary governance committee for CGML's balance sheet management. Among its key responsibilities are:

- Drive efficient and prudential Balance Sheet trends and mix.
- Oversee and influence liquidity levels, structure, and metrics.
- Influence investment allocation of the liquidity pool in High Quality Liquid Assets.
- Review and approve the summary Annual Funding and Liquidity Plan and/or horizontal liquidity review processes as per Liquidity Risk Management Policy, including CFP and frequency of intraday liquidity monitoring.
- Influence, evaluate and monitor local regulatory requirements related to the Balance Sheet, including local liquidity metrics and market risk regulations, reserve requirements and delivery status of related regulatory commitments.
- Identify, limit, and monitor significant funding sources/uses vs. established targets/ limits such as deposit concentration, oversized lending commitments from liquidity perspective.
- Identify, influence, and monitor third party cost and value of funds trends, and measurements against established targets and limits.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Liquidity risk (continued)

Citi's UK management team and the UK ALCO monitor changes in the economic environment and any corresponding impact on the asset quality of Citi's local and consolidated balance sheets, including CGML. The UK ALCO also functions as a forum for senior management to ensure adherence to corporate wide policies and procedures, regulatory requirements, and rating agency commitments.

The membership of the UK ALCO includes the UK Citi Country Officer (CCO) and CGML Chief Executive Officer (CEO) (chair), UK Country Finance Officer (CFO), UK Treasurer, UK Chief Risk Officer, Independent Liquidity Risk Manager, Finance Desk Heads and other key business and functional heads.

The UK ALCO meets on a monthly basis.

CGML's Board reviews the Liquidity Risk Management Policy and the Company's Internal Liquidity Adequacy Assessment Process (ILAAP) document and approves the Liquidity Risk Management Framework, the Funding and Liquidity Plan, the Contingency Funding Plan, and any relevant CGML-specific liquidity policies.

Liquidity Stress Testing and Scenario Analysis Framework

The Company's use of stress testing and scenario analysis is intended to quantify the potential impact of a liquidity event on the Company's balance sheet and liquidity position, and to identify viable funding alternatives that can be utilised. These scenarios include:

- potential significant changes in key funding sources;
- market triggers (such as credit rating downgrades);
- changes to uses of funding; and
- political and economic conditions, including stressed market conditions as well as Company-specific events.

Some tests span liquidity events over a full year, while others may cover a more intense shock over a shorter period such as 30 days. These tests can identify potential mismatches between liquidity sources and uses over a variety of time horizons, and liquidity limits are set accordingly. The stress tests and potential mismatches may be calculated with varying frequencies, with several important tests performed daily. They are also performed for the material currencies that constitute CGML's balance sheet.

CGML's stress testing framework seeks to ensure that sufficient contingent liquidity is maintained (the liquidity pool of highly liquid assets mentioned above) after considering the impact of key liquidity risk.

Internal Liquidity Risk Management Metrics

From an internal perspective, the Company uses two stress tests to monitor its liquidity position. These stress tests are Citi's enterprise-wide liquidity-related stress tests – the 30-day Resolution Liquidity Adequacy and Positioning (RLAP) and the one-year Term Liquidity Stress Test (TLST).

RLAP: Internal stress test metric used to measure the short-term (30-days) survival horizon under a Severe Market Disruption Stress Scenario.

TLST: Citi's longer-term (1-year) and comparatively less severe (as against RLAP) Internal Liquidity Stress Tests (ILST) where the firm's long and short-term ratings are assumed to be downgraded by two notches and one notch, respectively, from current levels and the firm is expected to continue to operate as a going concern.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

31 December 2020	Total \$ Million	On demand \$ Million	3 months & less \$ Million	3 - 12 months \$ Million	1 - 5 years \$ Million	More than 5 years \$ Million
Cash	5,505	5,505	—	—	—	—
Collateralised financing transactions at amortised cost	76,864	44,579	23,093	8,123	1,069	—
Derivatives	213,918	—	213,918	—	—	—
Inventory	73,752	73,752	—	—	—	—
Collateralised financing transactions at fair value	77,331	24,966	45,623	4,976	1,530	236
Equity securities held for investment	99	—	—	—	—	99
Cash collateral pledged	39,570	—	39,570	—	—	—
Trade debtors	15,438	—	15,438	—	—	—
Other debtors	261	—	261	—	—	—
Total financial assets	502,738	148,802	337,903	13,099	2,599	335
	Total \$ Million	On demand \$ Million	3 months & less \$ Million	3 - 12 months \$ Million	1 - 5 years \$ Million	More than 5 years \$ Million
Bank loans and overdrafts	7,347	347	1,000	4,200	—	1,800
Collateralised financing transactions at amortised cost	75,922	40,024	21,837	12,120	1,941	—
Derivatives	229,445	—	229,445	—	—	—
Securities sold but not yet purchased	56,641	—	56,641	—	—	—
Collateralised financing transactions at fair value	47,187	16,790	25,850	3,555	992	—
Hybrid financial liabilities	16,677	—	1,381	2,809	6,575	5,912
Cash collateral held	29,444	—	29,444	—	—	—
Trade creditors	9,851	—	9,851	—	—	—
Other creditors and accruals	1,943	—	1,943	—	—	—
Subordinated loans	10,600	—	—	—	3,500	7,100
Total financial liabilities	485,057	57,161	377,392	22,684	13,008	14,812
Net liquidity gap	17,681	91,641	(39,489)	(9,585)	(10,409)	(14,477)
Cumulative liquidity gap		91,641	52,152	42,567	32,158	17,681

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

The table below assigns the Company's liabilities to relevant maturity groupings based on the remaining contractual future undiscounted cash flows up to maturity. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages liquidity risk based on a combination of contractual and behavioural maturity profiles. Derivatives are excluded from the table as these are held for trading purposes. As such, the intention is not to hold these positions to settlement over the period of contractual maturity. Cash collateral held, securities sold not yet purchased, trade creditors, and other creditors and accruals are excluded because they are deemed to be three months or less and are thus very short term.

	Contractual value \$ Million	On demand \$ Million	3 months & less \$ Million	3 - 12 months \$ Million	1 - 5 years \$ Million	More than 5 years \$ Million
31 December 2021						
Bank loans and overdrafts	7,427	1,671	1,037	1,530	616	2,573
Collateralised financing transactions at amortised cost	63,074	28,489	6,619	25,364	2,602	—
Collateralised financing transactions at fair value	43,255	16,635	20,454	5,017	1,149	—
Hybrid financial liabilities	31,398	—	4,343	4,791	9,023	13,241
Subordinated loans	9,853	—	46	138	2,156	7,513
Total financial liabilities	155,007	46,795	32,499	36,840	15,546	23,327

	Contractual value \$ Million	On demand \$ Million	3 months & less \$ Million	3 - 12 months \$ Million	1 - 5 years \$ Million	More than 5 years \$ Million
31 December 2020						
Bank loans and overdrafts	7,560	348	1,013	4,221	86	1,892
Collateralised financing transactions at amortised cost	75,935	40,024	21,840	12,124	1,947	—
Collateralised financing transactions at fair value	47,177	16,789	25,843	3,554	991	—
Hybrid financial liabilities	20,240	—	1,388	2,878	7,155	8,819
Subordinated loans	12,400	—	61	184	4,325	7,831
Total financial liabilities	163,312	57,161	50,145	22,961	14,504	18,542

Credit risk

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations.

Credit risk arises in many of the Company's business activities, including:

- sales and trading in securities and derivatives;
- settlement;
- when Citi acts as an intermediary on behalf of its clients and other third parties; and
- when acting as underwriter or within a capital raising capacity.

Credit risk arises from the Company's activities in OTC derivatives and repurchase and reverse repurchase agreements, as well as securities lending and margin lending transactions. The Company's credit exposure is primarily to professional counterparties in the global financial sector, including banks, investment banks, hedge funds, insurance companies and asset management companies, and the public sector.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Credit risk (continued)

The Company enters into derivative transactions principally to enable customers to transfer, modify or reduce their credit, equity, interest rate and other market risks. In addition, the Company uses derivatives, and other instruments, as an end user to manage the risks to which the Company is exposed. Credit risk also arises from settlement and clearing activities when the Company transfers an asset in advance of receiving its counter-value or advances funds to settle a transaction on behalf of a client. Concentration risk, within credit risk, is the risk associated with having credit exposure concentrated on a specific client, industry, region, or other category.

Credit risk is one of the most significant risks the Company faces as an institution. As a result, Citi has a well-established framework in place for managing credit risk across all businesses. This includes a defined risk appetite, credit limits and credit policies, both at the business level as well as at the firm-wide level. Citi's credit risk management also includes processes and policies with respect to problem recognition, including "watch lists," portfolio review, updated risk ratings and classification triggers. The framework is supplemented by regular stress testing and monitoring of exposures, with monthly and quarterly reporting to senior management and the Board of Directors respectively.

The Company has in place a concentration risk management framework which includes risk limits by relationship, country, and industry.

The credit process is based on a series of fundamental policies, including:

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

Large exposure limit reports are circulated daily that show the Company's exposure to various counterparty groupings as a proportion of its own funds. Regulations also require that the Company does not exceed specified limits for its non-trading book exposures. Independent credit risk management works with the Regulatory Reporting Group within Finance to identify, monitor, and escalate any growing concentrations of credit exposure to groups of connected counterparties.

Wrong-way risk occurs when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty itself. Specific wrong-way risk arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty itself because of the nature of the transaction(s) with the counterparty. General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors. This is monitored at a Company level, and includes circulation of a monthly report that identifies CDS based, OTC or securities financing transactions (SFTs) that generate specific wrong-way risk. Wrong-way risk is mitigated through the use of enforceable netting agreements and margining.

The Company seeks to restrict its exposure to credit losses by entering into master netting arrangements with most counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. Many of these arrangements also provide for the calling and posting of variation margin or collateral, further reducing the Company's exposures. The internal measurement of exposure on each credit facility considers legally enforceable netting and margining arrangements – both in terms of current exposure and in terms of the simulated calculation of potential future exposure.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Credit risk (continued)

The following table presents the maximum exposure to credit risk, before taking account of any collateral held or other credit enhancements. It also illustrates the impact on the balance sheet of offsetting, master netting agreements and cash and non-cash collateral.

	2021						
	\$ Million						
<u>Assets</u>	Gross exposure	Amounts set off on the balance sheet	Net exposure	Impact of master netting agreements	Cash collateral	Securities collateral	Net exposure
Derivatives	157,281	—	157,281	(125,536)	(27,948)	(3,797)	—
Collateralised financing transactions	233,583	(75,020)	158,563	—	—	(158,563)	—
	<u>390,864</u>	<u>(75,020)</u>	<u>315,844</u>	<u>(125,536)</u>	<u>(27,948)</u>	<u>(162,360)</u>	<u>—</u>
Liabilities							
Derivatives	161,797	—	161,797	(125,536)	(35,263)	(6,793)	(5,795)
Collateralised financing transactions	181,332	(75,020)	106,312	—	—	(106,312)	—
	<u>343,129</u>	<u>(75,020)</u>	<u>268,109</u>	<u>(125,536)</u>	<u>(35,263)</u>	<u>(113,105)</u>	<u>(5,795)</u>
	2020						
	\$ Million						
<u>Assets</u>	Gross exposure	Amounts set off on the balance sheet	Net exposure	Impact of master netting agreements	Cash collateral	Securities collateral	Net exposure
Derivatives	213,918	—	213,918	(182,377)	(29,444)	(2,097)	—
Collateralised financing transactions	234,616	(80,421)	154,195	(3,251)	—	(150,944)	—
	<u>448,534</u>	<u>(80,421)</u>	<u>368,113</u>	<u>(185,628)</u>	<u>(29,444)</u>	<u>(153,041)</u>	<u>—</u>
Liabilities							
Derivatives	229,445	—	229,445	(182,377)	(39,570)	(5,990)	1,508
Collateralised financing transactions	203,530	(80,421)	123,109	(3,251)	—	(119,858)	—
	<u>432,975</u>	<u>(80,421)</u>	<u>352,554</u>	<u>(185,628)</u>	<u>(39,570)</u>	<u>(125,848)</u>	<u>1,508</u>

The offset amounts for the impact of master netting agreements for derivatives in the above tables relate to exposures where the counterparty has an offsetting derivative exposure with the Company and a master netting agreement is in place. These amounts do not qualify for net presentation for accounting purposes as settlement may not actually be made on a net basis.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Credit risk (continued)

The collateralised financing transactions offset adjustment relates to balances arising from repurchase and reverse repurchase transactions. The offsets relate to balances where there is a legally enforceable right of offset in the event of counterparty default and consequently a net exposure for credit risk management purposes. Credit risk exposure is monitored on an asset basis except for positions which are specifically collateralised, normally in the form of cash.

As at 31 December the Company's third-party credit exposure (mark to market plus potential future exposure as determined by the Company's internal measure) in relation to collateralised financing transactions and derivatives was distributed as shown in the table below (these exposures do not include derivative and collateralised financing transactions with other group undertakings). The following table shows CGML's exposures categorised by industry.

Industry	2021 %	2020 %
Commercial and universal banks	24.1	26.6
Insurance and fund management (pension funds and mutual funds)	28.0	31.8
Brokers and investment banks	3.3	2.8
Corporates	19.2	12.5
Public Sector	22.5	23.3
Other (including SPVs and Hedge Funds)	2.9	3.0
	100	100

The credit quality of the Company's financial assets is maintained by adherence to relevant Citi policies. The Company monitors the credit ratings of its counterparties with the table below presenting an analysis of the Company's trading inventory and derivative transactions by rating agency designation based on Standard & Poor's, Moody's and Fitch ratings as at 31 December:

	Government bonds		Non-government bonds		Derivatives	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
AAA / AA / A	71.9	51.0	81.4	55.2	37.2	47.5
BBB	20.4	40.4	9.1	25.8	2.8	3.7
BB / B	2.3	6.9	4.5	10.9	0.8	0.7
CCC or below	1.2	0.8	1.4	4.0	—	—
Central counterparty (unrated)	—	—	—	—	33.3	23.9
Unrated	4.2	0.9	3.6	4.1	25.9	24.2
	100.0	100.0	100.0	100.0	100.0	100.0

As discussed above the credit risk is mitigated through the use of collateral, netting arrangements and the application of credit limits.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Operational risk (unaudited)

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, systems, human factors or from external events. It includes legal risk, which is the risk of loss (including litigation costs, settlements and regulatory fines) resulting from the failure of the firm to comply with laws, regulations, prudent ethical standards and contractual obligations in any aspect of the firm's business but excludes strategic and reputation risks. Citi also recognizes the impact of operational risk on the reputation risk associated with Citi's business activities.

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

Citi maintains an Operational Risk Management (ORM) framework with a Governance Structure to ensure effective management of Operational Risk across Citi. The Governance Structure incorporates the Three Lines of Defence as previously described in the Risk Management Overview and Culture section.

To anticipate, mitigate and control operational risk, Citi maintains a system of policies and has established a consistent framework for monitoring, assessing, and communicating operational risks and the overall effectiveness of the internal control environment across Citi. As part of this framework, Citi has defined its operational risk appetite and has established a Manager's Control Assessment (MCA) programme which helps managers to self-assess key operational risks and controls and to identify and address weaknesses in the design and effectiveness of internal controls that mitigate significant operational risks.

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

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

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

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

In addition, ORM proactively assists the businesses, operations and technology and the other independent control groups in enhancing the effectiveness of controls and managing operational risks across products, business lines and regions, and facilitates the management of operational risk at a Citi and Company level.

Measurement

To support advanced capital modelling and management, each business is required to capture relevant operational risk event information. A localised version of the Citi risk capital model for operational risk has been developed and applied against CGML. The PRA has approved this model, for use within the Company as an "Advanced Measurement Approach". It uses a combination of internal and external loss data to support statistical modelling of capital requirement estimates, which are then adjusted to incorporate qualitative aspects of the operational risk and control environment.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Operational risk (unaudited) (continued)

To enhance its operational risk management, CGML has implemented a forward-looking scenario analysis programme to identify and quantify emerging operational risks, through a systematic process of obtaining opinions from business managers and risk management experts to derive reasoned assessments of the likelihood and loss impact of plausible, high severity operational risk losses. Scenario results are used to create a management overlay to CGML's operational risk capital model estimates. An AMA model change request is currently pending with the PRA, if approved this will allow scenario analysis impact to be included in the capital model outputs removing the overlay mentioned above.

In addition, there are various governance forums for escalation and reporting of internal control, compliance, regulatory and risk issues, including operational risk loss events.

Key Operational Risks (KOR) are derived from an evaluation of operational risk exposure on a residual risk basis considering its current business strategy, substantial emerging risks and other relevant factors which include assessment of the four Basel operational risk data elements (i.e. internal losses, external losses, scenario analysis, output from Internal Audit Assessments) and from self-assessment results from the Manager's Control Assessment (MCA). The identified KORs for CGML include those set out below. These Risks are aligned to the updated Citi-wide global risk taxonomy that has been developed for operational and compliance risks.

ORM liaises with Subject Matter Experts (SMEs) aligned to each KOR in order to define CGML's risk and to identify appropriate metrics i.e., Key Indicators (KIs) to monitor the profile of each KOR. Given that CGML's business is almost entirely wholesale in nature (falling within the ICG), segment metrics are leveraged as far as possible.

CGML KORs as of Q4 2021:

- Money Laundering (AML) and Sanctions Risk
- Conduct Risk (covered by Market Practices and Customer/Client Protection Risk)
- Cyber Risk (including Information Security)
- Geopolitical Risk
- Fraud & Theft (excl. Tech)
- E-Trading Risk Management (covered by Conduct, Processing and Technology Risk)
- Reporting Risk (Financial Statement Reporting Risk / Regulatory and Management Reporting Risk)
- Data Management Risk
- Model Risk Management
- Third-party Risk Vendor Management including Affiliates
- Processing Risk

CGML's KORs have been incorporated into the Citi-level global operational risk appetite framework in order to derive CGML's Risk Appetite against risk types in the standardised GRC operational risk taxonomy. These risk types are supported by related metrics and appropriately set thresholds. The Risk Appetite is regularly monitored and reported to CGML's senior governance forums.

Reputation and Franchise Risk and New Products or Services

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

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments and risk management (continued)

Reputation and Franchise Risk and New Products or Services (continued)

The New Product Approval Committee (NPAC) is designed to ensure that significant risks, including reputational and franchise risks, for all new ICG products, services, or complex transactions, are identified and evaluated, determined to be appropriate, properly recorded for risk aggregation purposes, effectively controlled, and have accountabilities in place.

Country Risk

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

The country designation in Citi's risk management systems is based on the country to which the client relationship, taken as a whole, is most directly exposed with regard to economic, financial, socio-political or legal risks. This includes exposure to subsidiaries within the client relationship that are domiciled outside of the country.

Citi assesses the risk of loss associated with certain of the country exposures on a regular basis, with the country concentration limits reviewed as and when economic performance is viewed as deteriorating. These analyses take into consideration alternative scenarios that may unfold, as well as specific characteristics of the Company's portfolio, such as transaction structure and collateral and the Company's exposure in these countries may vary over time, based upon its franchise, client needs and transaction structures.

Pension Risk

The Company's defined benefit schemes are measured on an actuarial basis, with the key assumptions being inflation, discount rate, mortality, and investment returns. Return on assets is an average of expected returns weighted by asset class.

Mortality assumptions are based upon the relevant standard industry and national mortality tables. Discount rates are based on specific corporate bond indices which reflect the underlying yield curve of each scheme. Management judgement is required in estimating the rate of future salary growth. All assumptions are unbiased, mutually compatible and based upon market expectations at the reporting date.

Further information about the Company's Pension schemes is contained in Note 8 'Pension'.

30. Capital management (unaudited)

As an UK regulated entity, CGML is required to hold sufficient regulatory capital to meet its Individual Capital Guidance, CRDIV buffers and any applicable buffers mandated by the PRA. The Company monitors its CET1, Tier 1, total capital ratios and overall capital adequacy daily. The externally mandated regulatory requirements also form part of the Company's internal capital management toolkit, with capital management constituting a key focus for a number of internal committees, in particular the UK ALCO. CGML's capital management framework encompasses a set of internal limits and escalations, defined using a red-amber-green structure. In accordance with these escalations, specified actions are taken and the responsible people are notified at each stage. In addition, the UK ALCO is kept informed of any trigger breaches. CGML also has in place a risk appetite framework to manage the risks to which it is exposed through its business activities: these are both quantitative and qualitative. During 2021, CGML remained in compliance with all externally imposed capital requirements. Quantitative details of CGML's regulatory capital position are included in Section 4 of the Strategic Report.

The capital management of CGML is further explained in its Basel Pillar III disclosures document, which can be found at <http://www.citigroup.com/citi/investor/reg.htm>. Further details of CGML's Regulatory Capital are also included in section 4.3 on page 15 of this report.

CITIGROUP GLOBAL MARKETS LIMITED

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31. Registered charges

The Company has granted to various banks and other entities a number of fixed and floating charges over certain holdings in securities, properties, collateral and monies held by or on behalf of such banks or other entities.

32. Other commitments

a) Financial guarantees

As at 31 December 2021, the Company had \$28 million (2020: \$31 million) of unsecured letters of credit and financial guarantees outstanding from banks to satisfy various collateral requirements.

b) Capital commitments

As at 31 December 2021, the Company had no capital commitments (2020: \$nil).

33. Related party transactions

The Company is a wholly owned subsidiary undertaking of CGMHBL, which is incorporated in the Bahamas. The largest group in which the results of the Company are consolidated is that headed by Citigroup Inc., which is incorporated in the United States of America. The Company defines related parties as the Board of Directors, senior management, their close family members, parent and fellow subsidiaries and associated companies.

A number of arm's length transactions are entered into with related parties. Various services are provided between related parties and these are also provided at arm's length.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33. Related party transactions (continued)

The table below summarises balances and transactions with related parties:

2021	Immediate parent company \$ Million	Subsidiaries \$ Million	Other related parties \$ Million
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	2,373
– collateralised financing transactions	—	4,927	52,957
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	3,645	78,335
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—
Investments in subsidiary and related undertakings	—	3,830	—
Pension asset	—	—	—
Other assets	—	1,198	8,655
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	5,678
– collateralised financing transactions	—	6,399	35,255
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	3,684	80,263
– securities sold but not yet purchased	—	2,925	—
Financial liabilities designated at fair value through profit or loss	—	23,677	—
Other liabilities	—	252	7,029
Subordinated loans	—	—	8,600
Guarantees and commitments	—	—	—
Income statement			
Fee and commission income	—	19	271
Net dealing income /(expense)	—	4,653	(2,527)
Interest receivable	—	(86)	129
Interest payable	—	—	(352)
Operating expenses	—	(16)	(506)
Net finance income on pension	—	—	—
Other income	—	—	—

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

33. Related party transactions (continued)

2020	Immediate parent company \$ Million	Subsidiaries \$ Million	Other related parties \$ Million
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	2,351
– collateralised financing transactions	—	1,432	57,170
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	1,822	123,909
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—
Investments in subsidiary and related undertakings	—	2,125	—
Pension asset	—	—	—
Other assets	30	3,050	5,931
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	7,267
– collateralised financing transactions	—	3,925	48,386
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	6,268	124,674
– securities sold but not yet purchased	—	141	—
Financial liabilities designated at fair value through profit or loss	—	16,677	—
Other liabilities	—	1,362	1,736
Subordinated loans	—	—	10,600
Guarantees and commitments	—	—	—
Income statement			
Fee and commission (expense)/ income		(2)	7
Net dealing expense	—	(2,577)	(910)
Interest receivable	—	(33)	263
Interest payable	—	(6)	(588)
Operating expenses	—	(68)	(321)
Net finance income on pension	—	—	—
Other income	—	—	—

No provisions have been recognised (2020: \$nil) in respect of doubtful debts related to the amount of outstanding balances and no expense has been recognised during the year (2020: \$nil) in respect of bad or doubtful debts due from related parties.

During 2021, the Company made a total of \$1,703 million (2020: \$642 million) capital contribution to its subsidiary CGME and received \$5,500 million (2020: \$2,000 million) capital contribution from its parent, CGMHBL. As at 31 December 2021, the other equity instruments of CGML consist of a) \$2,000 million of Additional Tier 1 Notes to Citicorp LLC, issued on 16 September 2021 b) \$2,300 million of Additional Tier 1 Notes to Pipestone LLC, another Citi entity.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

34. Events after the reporting period

The recent action of Russian military forces and support personnel in Ukraine has escalated tensions between Russia and the U.S., NATO, the EU and the U.K. Certain jurisdictions have imposed, and are likely to impose material additional, financial and economic sanctions and export controls against certain Russian entities and/or individuals.

Commencing from the week of 21 February 2022, the U.S., the U.K., and the EU each imposed packages of financial and economic sanctions that, in various ways, constrain transactions with numerous Russian entities and individuals; transactions in Russian sovereign debt; and investment, trade, and financing to, from, or in certain regions of Ukraine.

The Company's ability to engage in activity with certain consumer and institutional businesses in Russia and Ukraine or involving certain Russian or Ukrainian businesses and customers is dependent in part upon whether such engagement is restricted or prohibited under any current or expected U.S., EU, U.K. or other countries' sanctions and laws.

Sanctions and export controls, as well as any actions by Russia, could adversely affect the Company's business activities and customers in and from Russia and Ukraine. Moreover, actions by Russia, and any further measures taken by the U.S. or its allies, could have negative impacts on regional and global financial markets and economic conditions. The Company continues to monitor the potential impacts from the tensions and conflict in order to mitigate its exposures and risks.

Furthermore, the geopolitical tensions have had a severe impact on commodity markets, particularly across oil and gas, as prices have risen dramatically during the first quarter of 2022. To date there has been no material adverse impact to the Company as a result. The Company continues to assess the material risks and the impact of energy prices on its clients and businesses.

At the date on which these financial statements were approved, there were no other significant events affecting the Company since the year end.

35. Group structure

The Company's immediate parent undertaking is Citigroup Global Markets Holdings Bahamas Limited (CGMHBL), a company registered at Ocean Centre, Montagu Foreshore, East Bay Street, and P.O. Box N3247, Nassau, Bahamas. The Company's ultimate parent company and ultimate controlling party is Citigroup Inc., registered at 1209 Orange Street, Wilmington, DE 19801 United States of America.

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

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

36. Revenue analysis

As outlined in the Strategic Report, the Company is Citi's international broker dealer and management reviews its performance by geography in the same way as Citigroup Inc. reports its performance.

Citi is organised into four regions, Asia Pacific, EMEA, Latin America and North America.

	Asia Pacific	EMEA	Latin America	North America	Total Regional	Other / Corp	Total
Revenue by Region	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million	\$ Million
2021 Revenues	579	2,636	27	(276)	2,966	531	3,497
2020 Revenues	505	3,208	17	121	3,851	240	4,091
Increase/(decrease) compared to prior year	74	(572)	10	(397)	(885)	291	(594)

37. Country by country reporting

Nature of activities

CGML is headquartered in London and operates globally, generating the majority of its business from the EMEA region, with the remainder coming from business executed with clients in Asia and the Americas.

As at 31 December 2021, the Company had five branch offices and four subsidiaries. The Company's branches in the European Union (EU) were established under the 1993 Investment Services Directive, which has been superseded by the 2005 Markets in Financial Instruments Directive (MiFID). These passported branches are located in the Czech Republic and Italy. The Company has made notifications to the PRA to conduct cross-border MiFID services into all European Economic Area (EEA) states. Additionally, the Company has non-EU branches in Dubai, Israel and Switzerland as well as subsidiaries in Luxembourg, Monaco and Germany.

EU Branches	Non-EU Branches	Subsidiaries
<ul style="list-style-type: none"> • Italy (in liquidation) • Czech Republic (no activity) 	<ul style="list-style-type: none"> • Switzerland • Dubai • Israel 	<ul style="list-style-type: none"> • Citigroup Global Markets Luxembourg S.a.R.L (Luxembourg) (liquidated on 7 December 2021) • Citigroup Global Markets Funding Luxembourg SCA (Luxembourg) • Citigroup Global Markets Funding Luxembourg GP S.a.R.L (Luxembourg) • Citi Global Wealth Management S.A.M (Monaco) • Citigroup Global Markets Europe AG (Germany)

The Company is a dealer, market maker and underwriter in equities, fixed income securities and commodities, and provides investment banking and advisory services to a wide range of corporate, institutional and government clients. The Company's trading activities, which are part of Citi's ICG business, encompass cash, exchange-traded and OTC derivative markets. The Company's major counterparties are banks, other investment firms, investment managers, insurers, and hedge funds. The Company does not originate securitisations or engage in leveraged finance transactions as principal. The Company employs a number of specific individuals who hold key roles or have overall responsibility for whole areas of business on UK entities and branches.

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

37. Country by country reporting (continued)

As Citi's primary investment firm in EMEA, the Company is the main employer of front office staff in Western Europe. The Company also provides some operational and technology services to other Citi entities, in line with the global technology model used by these businesses. The Company also relies on shared services provided centrally, or by local Citi entities, for which there are various intercompany service agreements.

The Company has in place a dedicated management team and governance structure to establish a cohesive strategy for all relevant businesses and functions. Critical risk and control functions such as finance, risk management, legal and compliance are all managed centrally to ensure compliance with established policies and standards across the Company, irrespective of business location.

For the purposes of CBCR, the appropriate disclosures required are summarised below:

Country	Turnover	2021 (\$ Million)			2021 Average Number of Employees
		Profit before Tax	Corporation Tax Paid (on cash basis)	Public Subsidies Received	
Dubai	7	—	—	—	6
Israel	57	5	1	—	209
Italy	—	1	—	—	—
Switzerland	9	(1)	—	—	16
United Kingdom	3,424	429	28	—	3,355
Sub - Total	3,497	434	29	—	3,586
Withholding Tax	—	—	96	—	—
Total	3,497	434	125	—	3,586

Country	Turnover	2020 (\$ Million)			2020 Average Number of Employees
		Profit before Tax	Corporation Tax Paid (on cash basis)	Public Subsidies Received	
Dubai	5	—	—	—	5
Israel	54	5	1	—	204
Italy	—	1	—	—	2
Spain*	3	3	1	—	—
Switzerland	11	1	—	—	15
United Kingdom	4,018	1,308	223	—	3,134
Sub - Total	4,091	1,318	225	—	3,360
Withholding Tax	—	—	85	—	—
Total	4,091	1,318	310	—	3,360

CITIGROUP GLOBAL MARKETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

37. Country by country reporting (continued)

Basis of preparation

The basis of specific items of disclosure are as follows:

Turnover

Turnover comprises the following lines of the Profit & Loss Account of the Company's audited Financial Statements:

- Commission income and fees;
- Net dealing income;
- Interest receivable; and
- Interest payable.

Profit or (loss) before income tax

Profit and loss before tax is reported in line with the profit and loss before tax as presented in the Income statement on page 29.

Corporation tax paid / (received) (on cash basis)

Represents the total amount of income tax actually paid during the relevant fiscal year by CGML, including its branches in the relevant tax jurisdiction, as well as withholding tax which is an income tax paid by the payer of the income and treated as a payment on account of the recipient's tax liability. The withholding tax has been disclosed separately and where creditable has been offset against the UK corporation tax liability to prevent the same income being taxed twice.

This is distinct from the tax liability on the profit before income tax for the fiscal year, which in some cases is paid in instalments across the current and following year, such that in any year, cash tax paid is made up of part of the current and part of the prior year tax liabilities. These liabilities will depend on a number of factors including the existence of prior year losses which may be available for offset as well as items which may be booked outside of the income statement.

Public subsidies received

The CBCR Regulations do not include a definition of public subsidies received. The Company has determined that this will only include direct support by the Government and that it does not consider central bank interventions or tax incentives such as Research & Development tax credits as public subsidies.

Number of employees

Represents the average number of employees on a full-time equivalent (FTE) basis determined by taking an annual average of monthly total FTE, excluding any agency and contracting staff, under employment contracts in each country.