CITIGROUP GLOBAL MARKETS LIMITED

(Registered Number: 01763297)

UNAUDITED INTERIM REPORT AND FINANCIAL STATEMENTS

for the six months ended 30 June 2023

CITIGROUP GLOBAL MARKETS LIMITED

These condensed interim financial statements are unaudited

INTERIM MANAGEMENT REPORT

for the six months ended 30 June 2023

The Directors present their Interim management report on Citigroup Global Markets Limited (CGML or the Company) on a standalone basis for the six months ended 30 June 2023.

1. Introduction

CGML is a wholly owned, indirect subsidiary of Citigroup Inc (Citi), 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 30 June 2023, it had four 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 complete in the fourth quarter of 2023. On 5 May 2022, the CGML board approved the sale of its Monaco subsidiary, Citi Global Wealth Management S.A.M. to a Citigroup affiliate. This change of ownership was to better allow the Company's management to focus on its core activities being broker-dealer, capital markets and investment banking. This was completed on 1 July 2023. Changes after the reporting period are discussed in the Interim management report and in Note 14 'Events after the reporting period'.

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

CGML's key activities encompass capital markets origination, corporate and investment banking and cash, exchange traded and over-the-counter (OTC) derivative products in the following markets:

- G10 Rates
- Foreign Exchange
- Equities (including Prime Finance, Futures and OTC Clearing)
- Spread Products
- Commodities

The above business areas variously include market making, facilitating client flow trading and providing tailored solutions to client financing, risk or investment needs. Further details of these areas can be found in the Strategic Report of the Company's financial statements for the year ended 31 December 2022.

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.

2. 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. CGML is Citi's largest international broker-dealer. It is fundamental to the delivery of the Group's Institutional Client Group ("ICG") businesses, and one of Citigroup's four major global booking hubs serving clients from its headquarters in London or its international subsidiaries and branches. 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 2023 - 2025 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 its client segments, countries and products through capturing new growth opportunities and wallet share gains, offering market-leading capabilities, developing innovative digital offerings, and addressing evolving client needs.

- *Improve infrastructure and data to drive resilience, efficiency, and a better 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.

- *Ensure strong governance and controls remain cornerstone of CGML's success.*

  CGML seeks to drive and embed continuous improvement in its control environment, strong and decisive governance both at the Executive and the Board levels, and high standards of conduct through its three lines of defence. CGML maintains a strong regulatory engagement and deliver on regulatory expectations.

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

  CGML's priority is to be an employer of choice work: a place which drives effective corporate culture and excellence, where colleagues feel valued, respected, and can grow and develop successful and rewarding long-term careers. Commitment to Diversity and Inclusion is core to Citi's values.

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

  CGML continues to maintain focus on sustainable returns and improved financial resource efficiency. Focus remains on effective forward-looking scenario planning, forecasting, and management of financial, capital and liquidity resources through appropriate anticipatory actions to support planned growth as well as managing periods of market volatility and stress.

3. Financial Highlights

3.1 Income Statement Summary

	2023 $ Million	2022 $ Million
Commission income and fees	414	436
Net dealing income	1,649	1,898
Interest receivable*	3,326	270
Interest payable*	(2,975)	(812)
Gross profit	**2,414**	**1,792**
Operating expenses	(1,689)	(1,729)
Impairment release /(loss) of investments	—	—
Other income and expenses	7	13
Operating profit on ordinary activities before taxation	**732**	**76**
Tax on profits on ordinary activities	(111)	(23)
Profit after taxation for the financial year	**621**	**53**

Gross Profit

Gross profit increased by $622 million, a 35% increase on 2022. The increase is largely driven by a significant rise in interest rates since the end of the first quarter of 2022, in response to rising inflation. The Company benefits from a positive spread of interest on high quality liquid assets ("HQLA") compared to the cost of funding, in particular owing to funding provided through Tier 1 Capital.

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. Commission income and fees remained largely in line with 2022 as geo-political uncertainty and a higher interest rate environment has lad to a significant decline in the overall wallet.

Net Dealing Income

The foremost contributors to net dealing income were the Fixed Income and Equities businesses. Net dealing income declined by $(249) million mainly on account of heightened trading activity in the Commodities market in 2022 mainly across power and gas.

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 have increased significantly compared to 2022 as a result of increasing yields as central bank rates continued to rise to combat inflation.

Operating Expenses

Operating expenses were $1,689 million, a decrease of $40 million compared to 2022, with the largest costs relating to compensation and benefits of $881 million (2022: $781 million). The decrease in operating expenses was largely on account of the recognition of a material provision in 2022. For reasons of privilege and confidentiality, no further information is disclosed in respect of the provision. This decrease was partially offset by an increase in compensation and benefits largely on account of increased headcount.

3. Financial Highlights (continued)

3.2 Balance Sheet

	30 June 2023	31 December 2022	30 June 2022
	$ Million	$ Million	$ Million
Total Assets	533,295	521,792	517,145
Total Liabilities	504,352	493,072	488,403
Shareholders' funds	28,943	28,720	28,742

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 increase in assets and liabilities in 2023 and compared to June 2022 was mainly driven by an increase in trading inventory and mark-to-market on interest rate derivatives as a result of increasing interest rates, in addition to an increase in margin posted and received as a result.

Shareholders' funds were $28,943 million (31 December 2022: $28,720 million) which represented an increase of $223 million. The increase in shareholders' funds is mainly driven by the total comprehensive income 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 7 'Financial assets and liabilities accounting classification and fair values'.

4. 2023 Future Outlook

The Company will closely continue to identify, monitor and manage any key emerging risks to its strategy or growth plan. Uncertainty and volatility in the macro-economic and geopolitical environment will pose risks. These could arise from prolonged, weak global growth outlook driven by the ongoing Russia/Ukraine situation, higher inflation and interest rates, and changes to central bank and monetary policies.

The external regulatory environment continues to evolve, notably for CGML this includes revisions to the Capital and Liquidity frameworks. The Company continues to assess the implications of Capital Requirements Regulation III ("CRR III") which will come into affect in 2025.

5. Key performance indicators

In addition to the financial results of the Company, senior management considers the monitoring of a number of key financial and non-financial items critical to the Company's future. Please refer to the Strategic Report of the Company's financial statements for the year ended 31 December 2022 for further information.

6. Risk Management

The financial risk management objectives and policy and detailed exposure to market, liquidity, credit, country and operational risk have been disclosed in Note 29 'Financial instruments and risk management' of the Company's financial statements for the year ended 31 December 2022. The risk management objectives and policy have not materially changed in the reporting period and further details of the current period exposures are presented in the interim Management report under 'Financial highlights'.

7. Statement of Directors' responsibilities

The Directors are responsible for preparing the Interim Management 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.

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 2022 annual report on form 10-K and in its 2023 interim reports on form 10-Q, 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.

Based on the above, the Directors are confident that the Company will continue to have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore, continue to prepare the accounts on a going concern basis.

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.

Directors

The Directors who held office during the six months ended 30 June 2023 and since year end were:

Non-Executive
S J Clark
W M N Fall
J P Moulds
P Henry
I Plunkett
C W Von Koskull

Executive
J D K Bardrick
D Jain
Z V Wimborne
F Tobias Marin
A Raja
E Ducsai

Directors' indemnity

Throughout the period 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 period (2022: $nil).

Events after the reporting period

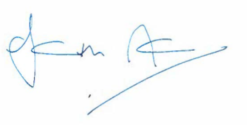
On 1 July 2023, the Company executed on its strategy to sell its Monaco subsidiary, Citi Global Wealth Management S.A.M. to another Citigroup affiliate.

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

Auditors

The Company has elected not to have an audit of these interim financial statements. A full audit will be performed at 31 December 2023.

By order of the Board



J P Moulds
Chair and Non-Executive Director

2 November 2023

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

CITIGROUP GLOBAL MARKETS LIMITED

INCOME STATEMENT

for the six months ended 30 June 2023

	Notes	30 June 2023 $ Million	30 June 2022 $ Million
Commission income and fees		414	436
Net dealing income		1,649	1,898
Interest receivable*		3,326	270
Interest payable*		(2,975)	(812)
Gross profit		2,414	1,792
Operating expenses		(1,689)	(1,729)
Impairment of investments in subsidiary	**8**	—	—
Net finance income on pension		7	5
Other income		—	8
Operating profit on ordinary activities before taxation		732	76
Tax on profits on ordinary activities	**6**	(111)	(23)
Profit after taxation for the financial year		621	53

The accompanying notes on pages 13 to 37 form an integral part of these financial statements.

* Prior year figures have been adjusted to account for negative interest rates on collateralised financing transactions measured at amortised cost.

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023

	Notes	30 June 2023 $ Million	30 June 2022 $ Million
Profit after taxation for the financial year		621	53
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss:			
Gross losses on remeasurement of defined benefit pension asset		(39)	(72)
Deferred tax benefit associated with remeasurement of pension asset		11	42
Deferred tax charge associated with rate change on remeasurement of pension asset		—	—
(Losses)/gains on debt valuation adjustment (DVA) attributed to the change in credit risk		(133)	524
Deferred tax benefit/(charge) associated with loss on DVA		36	(152)
Total other comprehensive (expense)/income		(125)	342
Total comprehensive gain for the financial year		496	395

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 13 to 37 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023

	Notes	Share Capital $ Million	Other equity instruments $ Million	Capital reserve $ Million	Equity reserve $ Million	Retained earnings $ Million	Total $ Million
At 1 January 2022		**19,999**	**4,300**	**—**	**1,261**	**2,959**	**28,519**
Profit after taxation for the year						53	53
Gross losses on remeasurement of defined benefit pension asset		—	—	—	—	(72)	(72)
Deferred tax benefit associated with remeasurement of pension asset		—	—	—	—	42	42
Gain on debt valuation adjustment (DVA)		—	—	—	—	524	524
Tax loss associated with gains on DVA		—	—	—	—	(152)	(152)
Total comprehensive income		—	—	—	—	342	342
Share based payment transactions		—	—	—	69	—	69
Deferred tax charge associated with share based payment transactions		—	—	—	(19)	—	(19)
Capital contribution		—	—	—	—	—	—
Dividend on other equity instruments		—	—	—	—	(222)	(222)
At 30 June 2022		**19,999**	**4,300**	**—**	**1,311**	**3,132**	**28,742**
At 31 December 2022		**19,999**	**4,300**	**—**	**1,323**	**3,098**	**28,720**
Profit after taxation for the year		—	—	—	—	621	621
Gross losses on remeasurement of defined benefit pension asset		—	—	—	—	(39)	(39)
Deferred tax benefit associated with remeasurement of pension asset		—	—	—	—	11	11
Loss on debt valuation adjustment (DVA)		—	—	—	—	(133)	(133)
Tax benefit associated with gains on DVA		—	—	—	—	36	36
Total comprehensive expense		—	—	—	—	(125)	(125)
Share based payment transactions		—	—	—	(9)	—	(9)
Deferred tax benefit associated with share based payment transactions		—	—	—	3	—	3
Capital contribution	**11**	—	—	—	—	—	—
Conversion of Capital reserve into Share capital	**11**	—	—	—	—	—	—
Other equity instruments issued	**11**	—	—	—	—	—	—
Dividend on other equity instruments		—	—	—	—	(267)	(267)
Loss on debt valuation adjustment (DVA) disposal		—	—	—	—	—	—
Tax benefit associated with loss on DVA disposal		—	—	—	—	—	—
At 30 June 2023		**19,999**	**4,300**	**—**	**1,317**	**3,327**	**28,943**

The other equity instruments relate to Additional Tier 1 notes. Further information is included in Note 11 'Capital and reserves'. The capital reserve includes capital contributions from the parent company, which are distributable. 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 13 to 37 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

BALANCE SHEET

as at 30 June 2023

	Notes	30 June 2023 $ Million	31 December 2022 $ Million
Assets			
Financial assets at amortised cost			
– cash at bank		6,822	7,076
– collateralised financing transactions	**7**	85,471	91,817
Financial assets mandatorily at fair value through profit or loss			
– derivatives		203,631	197,965
– inventory		78,146	57,500
– equity securities held for investment		116	122
Financial assets designated at fair value through profit or loss		71,439	80,372
Investments in subsidiary and related undertakings	**8**	4,330	4,330
Pension asset		301	305
Other assets		83,039	82,305
Total Assets		**533,295**	**521,792**
Liabilities and Equity			
Financial liabilities at amortised cost			
– bank loans and overdrafts	**7**	4,157	10,644
– collateralised financing transactions	**7**	82,261	62,240
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives		204,234	198,725
– securities sold but not yet purchased	**7**	48,923	52,347
Financial liabilities designated at fair value through profit or loss	**7**	75,026	78,434
Other liabilities		78,651	79,582
Subordinated loans	**9**	11,100	11,100
Total Liabilities		**504,352**	**493,072**
Capital and reserves			
Called up share capital	**11**	19,999	19,999
Other equity instruments	**11**	4,300	4,300
Capital reserve	**11**	—	—
Retained earnings and other reserves		4,644	4,421
Shareholders' funds		**28,943**	**28,720**
Total Liabilities and Shareholders' Funds		**533,295**	**521,792**

The accompanying notes on pages 13 to 37 form an integral part of these financial statements.

The financial statements on pages 8 to 12 were approved by the Directors on 2 November 2023 and were signed on their behalf by:

F Tobias Marin
Director and Chief Financial Officer
Registered Number: 01763297

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

	Notes	2023 $ Million	2022 $ Million
Cash flows from operating activities:			
Profit before taxation		732	76
Adjustments for:			
Depreciation and amortisation		27	25
Provision charged and other movements during the year		10	164
Expense related to Pension		26	74
Net impairment charge/(release) on investment securities	**8**	—	—
Net impairment loss on loans and advances		—	5
Net loss/(gain) on other fair value items		6	—
Other non-cash movements including exchange rate movements		(14)	—
Net interest (expense)/income		(351)	542
		436	886
Changes in:			
Financial assets at amortised cost		6,346	(26,286)
Financial assets mandatorily at fair value through profit or loss		(26,303)	(37,401)
Financial assets designated at fair value through profit or loss		8,934	15,303
Other assets		(309)	(20,385)
Financial liabilities at amortised cost		13,021	4,989
Financial liabilities mandatorily at fair value through profit or loss		2,085	27,834
Financial liabilities designated at fair value through profit or loss		(3,408)	7,352
Other liabilities		(304)	24,677
		498	(3,031)
Interest received		2,655	1,047
Interest paid		(3,545)	(524)
Income taxes paid		(50)	96
Net cash used in operating activities		**(442)**	**(2,412)**
Cash flows from investing activities			
Dividends received from investments		—	8
Acquisition of investment securities	**8**	—	(498)
Acquisition of intangible assets		(58)	(43)
Net cash used in investing activities		**(58)**	**(533)**
Cash flows from financing activities			
Issue of Additional Tier 1 capital	**11**	—	—
Capital contribution received from parent	**11**	—	—
Proceeds from issue of subordinated liabilities	**9**	—	(2,000)
Dividends paid on other equity instruments		(267)	(222)
Net cash from financing activities		**(267)**	**(2,222)**
Net increase in cash and cash equivalents		(767)	(5,167)
Cash at bank including bank overdrafts at 1 January		5,932	6,970
Cash at bank including bank overdrafts at 30 June		**5,165**	**1,803**

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.

1. Reporting Entity

This report comprises the unaudited condensed interim financial statements of CGML as at and for the six months ended 30 June 2023.

The financial statements of the Company at the year ended 31 December 2022 are available upon request from the Company's registered office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, and are available online at https://www.citigroup.com/global/investors/other-regulatory-filings

2. Statement of compliance

These condensed interim financial statements have been prepared and approved by the Directors in accordance with the EU Transparency Directive as implemented in the UK via the Disclosure and Transparency Rules issued by the FCA. They have been drawn up in compliance with IAS 34 Interim Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The condensed interim financial statements do not include all the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022.

3. Principal accounting policies

(a) Basis of presentation

These interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with UK-adopted international accounting standards, and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU-adopted IFRS"), and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2022. The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to CGML. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

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.

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.

3. Principal accounting policies (continued)

(b) Changes in accounting policy and disclosures

The accounting policies applied in these interim financial statements are the same as those applied in the annual financial statements as at and for the year ended 31 December 2021, except for certain amendments and improvements to the IFRSs implemented as at 1 January 2023, 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 six months ended 30 June 2023.

Standards and amendments issued and effective from 1 January 2023

From 1 January 2023

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

From 23 May 2023

- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12).

Standards and amendments issued but not yet effective

From 1 January 2024

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.

- Non current Liabilities with Covenants (Amendments to IAS 1);
- Classification of liabilities as Current or non-current (Amendments to IAS 1); and
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

These new or amended standards are not expected to have a significant impact on the Company's financial statements, and the Company does not plan to early adopt them.

4. 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 assumptions and estimates used in the preparation of the financial statements are described in detail in the Company's financial statements for the year ended 31 December 2022 and have not materially changed in the reporting period.

5. 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.

6. Tax on profit on ordinary activities

(a) Analysis of tax charge in the year

	30 June 2023 $ Million	30 June 2022 $ Million
UK corporation tax		
Current tax on income for the period	156	—
Current tax on ATI coupon	(75)	(56)
Adjustment in respect of overseas tax for previous years	—	—
Overseas current tax	29	42
Adjustments in respect of prior periods	1	—
Total current tax	**111**	**(14)**
Deferred tax:		
Origination and reversal of temporary differences	—	37
Overseas Deferred tax in respect of Foreign branch operations	—	—
Total deferred tax	**—**	**37**
Tax on profit on ordinary activities per P&L	**111**	**23**

(b) Recognised in Statement of Changes in Equity

	30 June 2023 $ Million	30 June 2022 $ Million
Deferred tax benefit associated with remeasurement of pension asset	(11)	(42)
Deferred tax (benefit)/charge associated with share based payment transactions	(3)	19
Deferred tax (benefit)/charge associated with gains on debt valuation adjustment	(36)	152
Total current and deferred tax (credit)/charge recognised in equity	(50)	129

6. Tax on profit on ordinary activities (continued)

(c) Factors that will affect future tax charges

The statutory UK tax rate applying to CGML in the year was 28% (30 June 2022: 27%). This includes a surcharge of 8% (3% from 1 April 2023) 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.

A UK corporation tax increase from 19% to 25% was announced as part of the March 2021 Spring Budget, which was enacted on 10th June 2021, and is effective as of 1 April 2023. A reduction in the banking surcharge from 8% to 3% was also announced as part of the 2021 Autumn Statement, which was enacted on 2 February 2022, and is effective as of 1 April 2023. Enactment of the increase in February resulted in a deferred tax charge of $37 million being recorded in the Income Statement and a deferred tax credit of $11 million in Other Comprehensive Income in the prior year financial statements.

The interim tax charge has been calculated based upon a forecast effective tax rate ("ETR") for the year of 15.17% (30 June 2022: 29.20%), before accounting for discrete items, such as the tax deduction of Additional Tier 1 ('AT1') coupons. This is lower than the statutory rate due to permanent differences, the main ones being deductions for non-taxable income on gilts and AT1 coupons paid.

(d) Deferred tax

	30 June 2023 $ Million	30 June 2022 $ Million
Deferred tax liability on pension asset (included within Other liabilities)	(84)	(119)
Deferred Tax asset on other temporary differences included in Other Assets	229	109

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.

7. 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.

30 June 2023	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	—	—	6,822	—	6,822	6,822
Derivatives	203,631	—	—	—	203,631	203,631
Inventory	78,146	—	—	—	78,146	78,146
Equity securities held for investment	—	—	—	116	116	116
Collateralised financing transactions	—	71,439	85,471	—	156,910	156,910
Cash collateral pledged	—	—	48,791	—	48,791	48,791
Trade debtors	—	—	27,498	—	27,498	27,498
Other debtors	—	—	296	—	296	296
	281,777	71,439	168,878	116	522,210	522,210
Bank loans and overdrafts	—	—	4,157	—	4,157	4,151
Derivatives	204,234	—	—	—	204,234	204,234
Securities sold but not yet purchased	48,923	—	—	—	48,923	48,923
Collateralised financing transactions	—	47,989	82,261	—	130,250	130,250
Hybrid financial liabilities	—	27,036	—	—	27,036	27,036
Cash collateral held	—	—	47,050	—	47,050	47,050
Trade creditors	—	—	21,637	—	21,637	21,637
Other creditors and accruals	—	1	2,284	—	2,285	2,285
Subordinated loans	—	—	11,100	—	11,100	11,624
	253,157	75,026	168,489	—	496,672	497,190

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

31 December 2022	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	—	—	7,076	—	7,076	7,076
Derivatives	197,965	—	—	—	197,965	197,965
Inventory	57,500	—	—	—	57,500	57,500
Equity securities held for investment	—	—	—	122	122	122
Collateralised financing transactions	—	80,372	91,817	—	172,189	172,189
Cash collateral pledged	—	—	65,000	—	65,000	65,000
Trade debtors	—	—	15,881	—	15,881	15,881
Other debtors	—	—	644	—	644	644
	255,465	80,372	180,418	122	516,377	516,377
Bank loans and overdrafts	—	—	10,644	—	10,644	10,035
Derivatives	198,725	—	—	—	198,725	198,725
Securities sold but not yet purchased	52,347	—	—	—	52,347	52,347
Collateralised financing transactions	—	52,123	62,240	—	114,363	114,363
Hybrid financial liabilities	—	26,311	—	—	26,311	26,311
Cash collateral held	—	—	62,682	—	62,682	62,682
Trade creditors	—	—	12,080	—	12,080	12,080
Other creditors and accruals	—	—	2,196	—	2,196	2,196
Subordinated loans	—	—	11,100	—	11,100	11,926
	251,072	78,434	160,942	—	490,448	490,665

7. 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:

30 June 2023	Level 1 $ Million	Level 2 $ Million	Level 3 $ Million	Total $ Million
Financial assets mandatorily at fair value				
Derivatives	18	201,126	2,487	203,631
Government bonds	30,963	5,601	91	36,655
Non-government bonds	838	12,311	392	13,541
Equities	24,644	1,603	117	26,364
Commodities	—	1,473	—	1,473
Commercial Paper	—	113	—	113
	56,463	222,227	3,087	281,777
Financial assets designated at fair value				
Collateralised financing transactions	2	71,389	48	71,439
Other financial assets at fair value through P&L				
Equity securities held for investment	—	—	116	116
	56,465	293,616	3,251	353,332
Financial liabilities mandatorily at fair value				
Derivatives	27	199,676	4,531	204,234
Securities sold but not yet purchased	44,342	4,553	28	48,923
	44,369	204,229	4,559	253,157
Financial liabilities designated at fair value				
Collateralised financing transactions	—	47,989	—	47,989
Hybrid financial liabilities	—	23,235	3,802	27,037
	44,369	275,453	8,361	328,183

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

31 December 2022	**Level 1 $ Million**	**Level 2 $ Million**	**Level 3 $ Million**	**Total $ Million**
Financial assets mandatorily at fair value				
Derivatives	22	194,423	3,520	197,965
Government bonds	20,504	3,412	48	23,964
Non-government bonds	987	9,982	443	11,412
Equities	19,383	1,101	74	20,558
Commodities	—	1,539	—	1,539
Commercial Paper	—	27	—	27
	40,896	210,484	4,085	255,465
Financial assets designated at fair value				
Collateralised financing transactions	—	79,987	385	80,372
Other financial assets at fair value through P&L				
Equity securities held for investment	—	—	122	122
	40,896	290,471	4,592	335,959
Financial liabilities mandatorily at fair value				
Derivatives	22	193,716	4,987	198,725
Securities sold but not yet purchased	47,478	4,856	13	52,347
	47,500	198,572	5,000	251,072
Financial liabilities designated at fair value				
Collateralised financing transactions	—	52,123	—	52,123
Hybrid financial liabilities	—	22,316	3,995	26,311
	47,500	273,011	8,995	329,506

During the 6 months ended 30 June 2023, above the $100 million threshold, a total balance of $1.1 billion was transferred to Level 2 from Level 1 (no transfer to Level 1 from Level 2). Transfers between Level 1 and Level 2 were driven by changes in market activity on the individual instruments.

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

30 June 2023	**Level 1 $ Million**	**Level 2 $ Million**	**Level 3 $ Million**	**Total $ Million**
Financial assets at amortised cost				
Cash	—	6,822	—	6,822
Collateralised financing transactions	—	85,471	—	85,471
Cash collateral pledged	—	48,791	—	48,791
Trade debtors	—	27,498	—	27,498
Other debtors	—	296	—	296
	—	168,878	—	168,878
Financial liabilities at amortised cost				
Bank loans and overdrafts	—	4,157	—	4,157
Collateralised financing transactions	—	82,261	—	82,261
Cash collateral held	—	47,050	—	47,050
Trade creditors	—	21,637	—	21,637
Other creditors and accruals	—	2,284	—	2,284
Subordinated loans	—	11,100	—	11,100
	—	168,489	—	168,489

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

31 December 2022	**Level 1 \$ Million**	**Level 2 \$ Million**	**Level 3 \$ Million**	**Total \$ Million**
Financial assets at amortised cost				
Cash	—	7,076	—	7,076
Collateralised financing transactions	—	91,817	—	91,817
Cash collateral pledged	—	65,000	—	65,000
Trade debtors	—	15,881	—	15,881
Other debtors	—	644	—	644
	—	180,418	—	180,418
Financial liabilities at amortised cost				
Bank loans and overdrafts	—	10,644	—	10,644
Collateralised financing transactions	—	62,240	—	62,240
Cash collateral held	—	62,682	—	62,682
Trade creditors	—	12,080	—	12,080
Other creditors	—	2,196	—	2,196
Subordinated loans	—	11,100	—	11,100
	—	160,942	—	160,942

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 30 June 2023.

Fair Value Measurement

IFRS 13 – *Fair Value Measurement,* defines fair value, establishes a consistent 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, and therefore represents an exit price. 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, the impact of the Company's own credit risk is also factored into the valuation of derivatives and other liabilities that measured at fair value.

Fair Value Hierarchy

IFRS 13 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 two types of inputs have created the following fair value hierarchy:

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

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

Fair Value Hierarchy (continued)

As required under the fair value hierarchy, the Company considers relevant and observable market inputs in its valuations where possible.

The fair value hierarchy classification approach typically utilises rules-based and data driven selection criteria to determine whether an instrument is classified as Level 1, Level 2, or Level 3:

- The determination of whether an instrument is quoted in an active market and therefore considered a Level 1 instrument is based upon the frequency of observed transactions and the quality of independent market data available on the measurement date.
- A Level 2 classification is assigned where there is observability of prices / market inputs to models, or where any unobservable inputs are not significant to the valuation. The determination of whether an input is considered observable is based on the availability of independent market data and its corroboration, for example through observed transactions in the market.
- Otherwise, an instrument is classified as Level 3.

Determination of Fair Value

For assets and liabilities carried at fair value, the Company measures fair value using the procedures set out below, irrespective of whether the assets and liabilities are measured at fair value as a result of an election, or because they are required to be measured at fair value.

When available, the Company uses quoted market prices from active markets to determine fair value and classifies such items as Level 1. In some specific cases where a market price is available, the Company will apply practical expedients (such as matrix pricing) to calculate fair value, in which case the items may be classified as Level 2.

The Company may also apply a price-based methodology, that 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. If relevant and observable prices are available, those valuations may be classified as Level 2. However, when there are one or more significant unobservable "price" inputs, then those valuations will be classified as Level 3. Furthermore, when a quoted price is considered stale, a significant adjustment to the price of a similar security may be necessary to reflect differences in the terms of the actual security or loan being valued, or alternatively, when prices from independent sources maybe insufficient to corroborate the valuation, the "price" inputs are considered unobservable and the fair value measurements are classified as Level 3.

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

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 estimate of the fair value. The following section describes the valuation methodologies used by the Company to measure various financial instruments at fair value. Where appropriate, the description includes details of the valuation models, the key inputs to those models and any significant assumptions.

Market valuation adjustments

Generally, the unit of account for a financial instrument is the individual financial instrument. The Company applies market valuation adjustments that are consistent with the unit of account, which does not include adjustment due to the size of the Company's position, except as follows.

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

Market valuation adjustments (continued)

IFRS 13 permits an exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. Citi has elected to measure certain portfolios of financial instruments that meet those criteria, such as derivatives, on the basis of the net open risk position. The Company applies market valuation adjustments, including adjustments to account for the size of the net open risk position, consistent with market participant assumptions.

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 (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 uncollateralised interest rate swaps. The CVA represents a portfolio-level adjustment to reflect the risk premium associated with the counterparty's (assets) or Company's (liabilities) non-performance risk.

The FVA represents a market funding risk premium inherent in the uncollateralised portion of a derivative portfolio and in certain collateralised derivative portfolios that do not include standard credit support annexes (CSAs), such as where the CSA does not permit the reuse of collateral received. Company'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. Company'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 recognised net asset or liability as a basis to measure the CVA and FVA.
- 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 realised 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.

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

Market valuation adjustments (continued)

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

No quoted prices exist for these instruments, since 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. These cash flows are discounted using interest rates appropriate to the maturity of the instrument as well as the nature of the underlying collateral. Generally, when such instruments are recorded at fair value, they are classified within Level 2 of the fair value hierarchy, as the inputs used in the valuation are readily observable. However, certain long-dated positions are classified within Level 3 of the fair value hierarchy

Trading Account Assets and Liabilities—Trading Securities and Trading Loans

When available, the Company uses quoted market prices in active markets to determine the fair value of trading securities; such items are classified as Level 1 of the fair value hierarchy. Examples include government securities and exchange-traded equity securities.

For bonds and secondary market loans traded over the counter, the Company generally determines fair value utilizing various valuation techniques, including discounted cash flows, price-based and internal models. Fair value estimates from these internal valuation techniques are verified, where possible, to prices obtained from independent sources, including third-party vendors.

A price-based methodology utilises, where available, quoted prices or other market information obtained from recent trading activity of assets with similar characteristics to the bond or loan being valued. The yields used in discounted cash flow models are derived from the same price information. Trading securities and loans priced using such methods are generally classified as Level 2. However, when the primary inputs to the valuation are unobservable, or prices from independent sources are insufficient to corroborate valuation, a loan or security is generally classified as Level 3. Fair value estimates from these internal valuation techniques are verified, where possible, to prices obtained from independent sources, including third-party vendors.

When the Company's principal exit market for a portfolio of loans is through securitization, the Company uses the securitization price as a key input into the fair value of the loan portfolio. The securitization price is determined from the assumed proceeds of a hypothetical securitization within the current market environment. Where such a price verification is possible, loan portfolios are typically classified as Level 2 in the fair value hierarchy.

Trading Account Assets and Liabilities — Derivatives

Exchange-traded derivatives, measured at fair value using quoted (i.e., exchange) prices in active markets, where available, are classified as Level 1 of the fair value hierarchy.

Derivatives without a quoted price in an active market and derivatives executed over the counter are valued using internal valuation techniques. These derivative instruments are classified as either Level 2 or Level 3 depending on the observability of the significant inputs to the model.

The valuation techniques depend on the type of derivative and the nature of the underlying instrument. The principal techniques used to value these instruments are discounted cash flows and internal models, such as derivative pricing models (e.g., Black-Scholes and Monte Carlo simulations).

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, volatilities and correlation.

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

Investments

The investments category includes available-for-sale debt and marketable equity securities whose fair values are generally determined by utilizing similar procedures described for trading securities above or, in some cases, using vendor pricing as the primary source.

Also included in investments are non-public investments in private equity and real estate entities. Determining the fair value of non-public securities involves a significant degree of management's judgment, as no quoted prices exist and such securities are not generally traded. In addition, there may be transfer restrictions on private equity securities. The Company's process for determining the fair value of such securities utilises commonly accepted valuation techniques, including guideline public company analysis and comparable transactions. In determining the fair value of non public securities, the Company also considers events such as a proposed sale of the investee company, initial public offerings, equity issuances or other observable transactions. Private equity securities are generally classified as Level 3 of the fair value hierarchy.

In addition, the Company holds investments in certain alternative investment funds that calculate the net asset value (NAV) per share, including hedge funds, private equity funds and real estate funds. Investments in funds are generally classified as nonmarketable equity securities carried at fair value. The fair values of these investments are estimated using the NAV per share of the Company's ownership interest in the funds where it is not probable that the investment will be realised at a price other than the NAV.

Short-Term Borrowings and Long-Term Debt

Where fair value accounting has been elected, the fair value of non-structured liabilities is determined by utilizing internal models using the appropriate discount rate for the applicable maturity. Such instruments are classified as Level 2 of the fair value hierarchy when all significant inputs are readily observable.

The Company determines the fair value of hybrid financial instruments, including structured liabilities, using the appropriate derivative valuation methodology (described above in "Trading Account Assets and Liabilities—Derivatives") given the nature of the embedded risk profile. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

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 period ended 30 June 2023 and year ended 31 December 2022. 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.

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

Changes in Level 3 Fair Value Category (continued)

At 30 June 2023	At 1 January 2023	Gain/(loss) recorded in the profit and loss statement		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	At 30 June 2023
		Realised	Unrealised							
	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million
Financial assets mandatorily at fair value										
Derivatives	3,520	(1,329)	1,098	50	(50)	—	(502)	604	(905)	2,486
Government bonds	48	—	11	57	(31)	—	—	8	(2)	91
Non-government bonds	443	41	14	254	(271)	—	—	70	(159)	392
Equities	74	(2)	2	79	(22)	—	—	(6)	(7)	118
Financial assets designated at fair value										
Collateralised financing transactions	385	1	(326)	46	—	—	(49)	—	(7)	50
Other assets at fair value through P&L										
Equity securities held for investment	122	—	(7)	2	(1)	—	—	—	—	116
	4,592	(1,289)	792	488	(375)	—	(551)	676	(1,080)	3,253

	At 1 January 2023	(Gain)/loss recorded in the profit and loss statement		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	At 30 June 2023
		Realised	Unrealised							
Financial liabilities held for trading	$ Million	$ Million		$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million
Derivatives	4,986	(950)	1,421	(21)	(40)	—	(30)	586	(1,421)	4,531
Securities sold but not yet purchased	14	4	(2)	(21)	4	—	—	13	16	28
Financial liabilities designated at fair value										
Hybrid financial liabilities	3,995	(3)	140	—	—	133	(129)	162	(496)	3,802
	8,995	(949)	1,559	(42)	(36)	133	(159)	761	(1,901)	8,361

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

Changes in Level 3 Fair Value Category (continued)

At 31 December 2022	At 1 January 2022	Gain/(loss) recorded in the profit and loss statement: Realised	Gain/(loss) recorded in the profit and loss statement: Unrealised	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	At 31 December 2022
	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million
Financial assets mandatorily at fair value										
Derivatives	2,964	(1,341)	2,108	274	(27)	85	—	2,376	(2,919)	3,520
Government bonds	29	(21)	(29)	148	(81)	—	—	49	(47)	48
Non-government bonds	661	72	(118)	1,117	(1,308)	—	—	408	(389)	443
Equities	42	80	(34)	123	(169)	—	—	81	(49)	74
Financial assets designated at fair value										
Collateralised financing transactions	92	(13)	181	169	—	—	(211)	174	(7)	385
Other assets at fair value through P&L										
Equity securities held for investment	106	—	(7)	23	—	—	—	—	—	122
	3,894	(1,223)	2,101	1,854	(1,585)	85	(211)	3,088	(3,411)	4,592

	At 1 January 2022	(Gain)/loss recorded in the profit and loss statement: Realised	(Gain)/loss recorded in the profit and loss statement: Unrealised	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	At 31 December 2022
Financial liabilities held for trading	$ Million	$ Million		$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million
Derivatives	3,735	(1,327)	2,841	264	71	353	—	2,327	(3,278)	4,986
Securities sold but not yet purchased	40	(3)	7	19	7	(10)	(64)	38	(20)	14
Financial liabilities designated at fair value										
Collateralised financing transactions	4,180	138	(1,163)	—	—	3,249	(2,814)	539	(134)	3,995
	7,955	(1,192)	1,685	283	78	3,592	(2,878)	2,904	(3,432)	8,995

Level 3 Fair Value Transfers

The following were the significant Level 3 transfers for the period from 31 December 2022 to 30 June 2023:

- During the 6 months ended 30 June 2023, transfers of Equity Derivative contracts were $0.7 billion ($0.3 billion asset, $0.4 billion liability) from Level 3 to Level 2. This was due to unobservable inputs such as forward, volatility, correlation becoming insignificant relative to their overall valuation, and market changes have resulted in some inputs becoming more observable. In other instances, market changes have resulted in some inputs becoming less observable, and some unobservable inputs becoming more significant to the overall valuation of the instruments. This has resulted in $0.4 billion ($0.2 billion asset, $0.2 billion liability) of Equity Derivative contracts being transferred from Level 2 to Level 3.
- During the 6 months ended 30 June 2023, transfers of Commodity derivative contracts were $0.9 billion ($0.5 billion asset, $0.3 billion liability) from Level 3 to Level 2. This was due to unobservable inputs becoming insignificant relative to their overall valuation, and market changes have resulted in some inputs becoming more observable.
- During the 6 months ended 30 June 2023, transfers of Interest Rate Derivative contracts were $0.5 billion ($0.3 billion asset, $0.2 billion liability) from Level 3 to Level 2. This was due to unobservable inputs becoming insignificant relative to their overall valuation, and market changes have resulted in some inputs becoming more observable.

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

Fair Value Hierarchy Classification

Unobservable inputs

During the first half of the year, total changes in fair value, representing a loss of $1,088 million (2022: $385 million gain) 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 $697 million downside and $790 million upside (2022: $731 million downside and $847 million upside). The main contributors to this impact were Equity Markets, Credit Trading and Interest Rates Trading businesses.

Uncertainty of Fair Value Measurements Relating to Unobservable Inputs

Valuation uncertainty arises when there is insufficient or disperse market data to allow a precise determination of the exit value of a fair-valued position or portfolio in today's market. This is especially prevalent in Level 3 fair value instruments, where uncertainty exists in valuation inputs that may be both unobservable and significant to the instrument's (or portfolio's) overall fair value measurement.

The uncertainties associated with 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 uncertainty 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 some of the most significant unobservable inputs used by the Company in Level 3 fair value measurements.

Correlation

Correlation is a measure of the extent to which two or more variables change in relation to each other. A variety of correlation-related assumptions are required for a wide range of instruments, including equity and credit baskets, foreign exchange options, Credit Index Tranches and many other instruments. For almost all of these instruments, correlations are not directly observable in the market and must be calculated using alternative sources, including historical information. Estimating correlation can be especially difficult where it may vary over time, and calculating correlation information from market data requires significant assumptions regarding the informational efficiency of the market (e.g., swaption markets). Uncertainty therefore exists when an estimate of the appropriate level of correlation as an input into some fair value measurements is required.

Changes in correlation levels can have a substantial impact, favorable or unfavorable, on the value of an instrument, depending on its nature. A change in the default correlation of the fair value of the underlying bonds comprising a CDO structure would affect the fair value of the senior tranche. For example, an increase in the default correlation of the underlying bonds would reduce the fair value of the senior tranche, because highly correlated instruments produce greater losses in the event of default and a portion of these losses would become attributable to the senior tranche. That same change in default correlation would have a different impact on junior tranches of the same structure.

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

Volatility

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. 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 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 an instrument (or 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 equities) depends on the volatility of the individual underlying securities as well as their correlations.

Yield

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. Whenever the amount of the adjustment is significant to the value of the security, the fair value measurement is classified as Level 3. Adjusted yield is generally used to discount the projected future principal and interest cash flows on instruments, such as asset-backed securities. Adjusted yield is impacted by changes in the interest rate environment and relevant credit spreads.

Prepayment

Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security. The effect of prepayments is more pronounced for residential mortgage-backed securities. Prepayment is generally negatively correlated with delinquency and interest rate. A combination of low prepayments and high delinquencies amplifies each input's negative impact on a mortgage securities' valuation. As prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

Recovery

Recovery is the proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. For many credit securities (e.g., commercial mortgage backed securities), the expected recovery amount of a defaulted property is typically unknown until a liquidation of the property is imminent. The assumed recovery of a security may differ from its actual recovery that will be observable in the future. Generally, an increase in the recovery rate assumption increases the fair value of the security. An increase in loss severity, the inverse of the recovery rate, reduces the amount of principal available for distribution and, as a result, decreases the fair value of the security.

Credit Spread

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

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

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of 30 June 2023 and 31 December 2022. 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.

30 June 2023	Fair Value $ Million	Methodology	Input	Range of Inputs Min	Max	Unit
Assets						
Derivative assets	2,487					
Equity securities held for investment		Comparables Analysis	Illiquidity Discount	10.0	10.0	%
		Model-based	PE Ratio	13.8	15.4	x
		Model-based	Cost of Capital	17.5	17.5	%
		Model-based	Discount to price	33.0	33.0	%
		Model-based	EBITDA Multiples	15.7	15.7	x
Equity Derivatives		Model-based	Equity Volatility	0.1	279.5	%
		Model-based	Equity Forward	72.6	265.0	%
		Model-based	Equity-FX Correlation	-90.0	70.0	%
		Model-based	Equity-IR Correlation	-22.0	60.0	%
		Model-based	FX Volatility	—	98.6	%
		Model-based	Equity-Equity Correlation	-6.5	98.9	%
Commodity Derivatives		Model-based	Forward Price	17.5	463.4	%
		Model-based	Commodity Volatility	8.8	166.9	%
		Model-based	Commodity Correlation	-21.0	95.7	%
Credit Derivatives		Model-based	Credit Spread	0.6	367.2	bps
		Price-based	Credit Correlation	45.0	70.0	%
		Price-based	Recovery Rate	6.0	40.0	%
		Price-based	Upfront Points	—	95.6	%
Foreign Exchange Derivatives		Model-based	IR Normal Volatility	0.3	1.6	%
		Model-based	Credit Spread	227.8	530.0	bps
		Model-based	IR Basis	-1.3	133.3	%
Interest Rate Derivatives		Model-based	IR Normal Volatility	0.3	15.0	%
		Model-based	Inflation Volatility	0.5	8.2	%
Inventory	600					
Government bonds		Model-based	Interest Rate	1.2	1.2	%
Non-government bonds		Price-based	Price	0.0	1,036.2	$
		Model-based	Equity Forward	72.6	265.0	%
Equity		Price-based	Price	0.0	10,615.7	$
Liabilities						
Derivative liabilities	4,531					
Equity securities held for investment		Comparables Analysis	Illiquidity Discount	10.0	10.0	%
		Model-based	PE Ratio	13.8	15.4	x
		Model-based	Cost of Capital	17.5	17.5	%
		Model-based	Discount to price	33.0	33.0	%
		Model-based	EBITDA Multiples	15.7	15.7	x
Equity Derivatives		Model-based	Equity Volatility	0.1	279.5	%
		Model-based	Equity Forward	72.6	265.0	%
		Model-based	Equity-FX Correlation	-90.0	70.0	%
		Model-based	Equity-IR Correlation	-22.0	60.0	%
		Model-based	FX Volatility	—	98.6	%
		Model-based	Equity-Equity Correlation	-6.5	98.9	%

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

30 June 2023	Fair Value $ Million	Methodology	Input	Range of Inputs Min	Max	Unit
Liabilities						
Commodity Derivatives		Model-based	Forward Price	17.5	463.4	%
		Model-based	Commodity Volatility	8.8	166.9	%
		Model-based	Commodity Correlation	-21.0	95.7	%
Credit Derivatives		Model-based	Credit Spread	0.6	367.2	bps
		Price-based	Credit Correlation	45.0	70.0	%
		Price-based	Recovery Rate	6.0	40.0	%
		Price-based	Upfront Points	—	95.6	%
Foreign Exchange Derivatives		Model-based	IR Normal Volatility	0.3	1.6	%
		Model-based	Credit Spread	227.8	530.0	bps
		Model-based	IR Basis	-1.3	133.3	%
Interest Rate Derivatives		Model-based	IR Normal Volatility	0.3	15.0	%
		Model-based	Inflation Volatility	0.5	8.2	%
Securities sold but not yet purchased	28	Price-based	Price	—	10,615.7	$
		Model-based	IR Normal Volatility	0.3	15.0	%
Hybrid financial liabilities	3,802	Model-based	Equity Volatility	0.1	279.5	%
		Model-based	Forward Price	17.5	463.4	%
		Model-based	FX Volatility	—	98.6	%
		Model-based	Equity-IR Correlation	-22.0	60.0	%
		Model-based	Commodity Volatility	8.8	166.9	%
		Model-based	Credit Spread	90.0	453.5	bps
		Model-based	Equity-Equity Correlation	-6.5	98.9	%
		Model-based	Equity-Commodity Correlation	-2.3	40.0	%
		Model-based	Commodity Correlation	-21.0	95.7	%
		Model-based	Equity-FX Correlation	-90.0	70.0	%
		Model-based	Equity Forward	72.6	265.0	%
		Price-based	Price	97.9	99.7	$
		Model-based	IR Normal Volatility	0.3	119.3	%

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

31 December 2022	Fair Value $ Million	Methodology	Input	Range of Inputs Min	Range of Inputs Max	Unit
Assets						
Derivative assets	3,520					
Equity Derivatives		Model-based	Equity Volatility	—	300.7	%
		Model-based	Equity-FX Correlation	-95.0	50.0	%
		Model-based	Equity Forward	68.3	271.6	%
		Model-based	Equity-Equity Correlation	-4.0	98.7	%
		Model-based	Commodity-FX Correlation	-40.0	40.0	%
Commodity Derivatives		Model-based	Forward Price	14.3	385.5	%
		Model-based	Commodity Volatility	10.4	151.5	%
		Model-based	Commodity Correlation	-32.0	91.9	%
Credit Derivatives		Model-based	Credit Spread	2.5	955.1	bps
Foreign Exchange Derivatives		Model-based	IR Basis	-4.2	9.7	%
Interest Rate Derivatives		Model-based	Inflation Volatility	0.4	2.7	%
Inventory	565					
Other Bonds Notes & Debentures		Model-based	Equity Volatility	—	300.7	%
		Model-based	Equity-FX Correlation	-95.0	50.0	%
Equity Securities		Price-based	Price	0.0	9,087.8	$
Liabilities						
Derivative liabilities	4,987					
Commodity Derivatives		Model-based	Forward Price	14.3	385.5	%
		Model-based	Commodity Volatility	10.4	151.5	%
		Model-based	Commodity Correlation	-32.0	91.9	%
		Model-based	Commodity-FX Correlation	-40.0	40.0	%
Equity Derivatives		Model-based	Equity Volatility	—	300.7	%
		Model-based	FX Volatility	0.1	97.7	%
		Model-based	Equity-IR Correlation	-18.8	60.0	%
		Model-based	Equity-Equity Correlation	-4.0	98.7	%
		Model-based	Commodity-FX Correlation	-40.0	40.0	%
		Model-based	Equity-FX Correlation	-95.0	50.0	%
		Model-based	Equity Forward	68.3	271.6	%
		Model-based	Dividend amount	0.1	279.5	$
		Price-based	Price	—	4,917.6	$
Credit Derivatives		Model-based	Credit Spread	2.5	955.1	bps
Foreign Exchange Derivatives		Model-based	IR Normal Volatility	0.3	1.8	%
		Model-based	IR Basis	-4.2	9.7	%
Interest Rate Derivatives		Model-based	IR Normal Volatility	0.3	1.5	%
		Model-based	Inflation Volatility	0.4	2.7	%
Securities sold but not yet purchased	13	Price-based	Price	—	9,087.8	$
		Model-based	Equity Volatility	—	300.7	%
		Model-based	Equity Forward	68.3	271.6	%
Hybrid financial liabilities	3,995	Model-based	Equity Volatility	0.0	300.7	%
		Model-based	FX Volatility	0.1	97.7	%
		Model-based	Equity-IR Correlation	-18.8	60.0	%
		Model-based	Equity-FX Correlation	-95.0	50.0	%
		Model-based	Equity Forward	68.3	271.6	%
		Model-based	IR Normal Volatility	0.3	1.8	%

8. Investments in subsidiary and related undertakings

	30 June 2023 $ Million	31 December 2022 $ Million
Cost		
At 1 January	4,330	3,830
Additions	—	500
Disposals	—	—
At 30 June / 31 December	4,330	4,330
Impairment		
At 1 January	—	—
(Reversal)/Charge for the year:	—	—
At 30 June / 31 December	—	—
Net book value		
At 30 June / 31 December	4,330	4,330

Details of all related undertakings held at 30 June 2023 as required by CA2006 SI 2008 No 410 Sch 4 Para 1 are set out below. All undertakings have a year end of 30 June and all of the Company's holdings are of ordinary shares.

The Company did not make any capital contribution during the period ended 30 June 2023. On 2 August 2022, CGML made a capital contribution of $500 million to its subsidiary, CGME.

Directly held subsidiary undertakings (all 100% owned)

Name	Registered address
Citigroup Global Markets Europe AG	16 Reuterweg, Frankfurt am Main 30323, Germany
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

9. 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)
30 June 2023	USD	11,100	7.31%	7.86
31 December 2022	USD	11,100	6.49%	8.35

As at 30 June 2023, subordinated loans consists of a) $8,500 million of 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 4 March and 6 September 2022 CGML issued $1,000 and $1,500 million of MREL loans to Citicorp LLC (2021: $2,000).

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 11) and Tier 2 instruments.

9. Subordinated loans (continued)

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.

10. Other equity instruments

During the period ended 30 June 2023, the Company did not issue any Additional Tier 1 Notes. As at 30 June 2023, 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. On the Pipestone LLC instruments, interest is fixed every 5 years, and on the Citicorp LLC instrument interest is a margin over daily SOFR. 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.

11. Capital reserve

The Company did not receive any capital contribution during the period ended 30 June 2023. There were no changes in the structure of the Company's capital reserves in 2022.

12. Financial instruments and risk management

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2022.

13. 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.

13. Related party transactions (continued)

The table below summarises balances and transactions with related parties:

30 June 2023	Immediate parent company $ Million	Subsidiaries $ Million	Other related parties $ Million
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	1,584
– collateralised financing transactions	—	5,430	54,916
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	3,884	94,030
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	—	2,101
Investments in subsidiary and related undertakings	—	4,330	—
Pension asset	—	—	—
Other assets	—	1,233	7,198
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	2,653
– collateralised financing transactions	—	9,443	54,852
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	4,759	96,107
– securities sold but not yet purchased	—	—	—
Financial liabilities designated at fair value through profit or loss	—	27,036	1,353
Other liabilities	—	887	7,078
Subordinated loans	—	—	11,100
Guarantees and commitments	—	—	—
Income statement			
Fee and commission (expense)/ income	—	(4)	62
Net dealing expense	—	(289)	(1,509)
Interest receivable	—	5	1,029
Interest payable	—	(139)	30
Operating expenses	—	(27)	(296)
Net finance income on pension	—	—	—
Other income	—	—	—

13. Related party transactions (continued)

31 December 2022	**Immediate parent company** **$ Million**	**Subsidiaries** **$ Million**	**Other related parties** **$ Million**
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	1,896
– collateralised financing transactions	—	4,921	64,146
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	4,034	85,742
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	—	1,590
Investments in subsidiary and related undertakings	—	4,330	—
Pension asset	—	—	—
Other assets	—	1,215	10,582
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	10,028
– collateralised financing transactions	—	5,502	36,569
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	3,588	88,452
– securities sold but not yet purchased	—	289	—
Financial liabilities designated at fair value through profit or loss	—	26,311	409
Other liabilities	—	935	8,353
Subordinated loans	—	—	11,100
Guarantees and commitments	—	—	—
30 June 2022			
Income statement			
Fee and commission income		1	90
Net dealing expense	—	8,615	1,289
Interest receivable	—	(45)	123
Interest payable	—	(3)	(335)
Operating expenses	—	1	(305)
Net finance income on pension	—	—	—
Other income	—	—	—

No provisions have been recognised (2022: $nil) in respect of doubtful debts related to the amount of outstanding balances and no expense has been recognised during the year (2022: $nil) in respect of bad or doubtful debts due from related parties.

13. Related party transactions (continued)

During the period ended 30 June 2023, the Company did not make any capital contribution to its subsidiaries (2022: $500 million). During the period ended 30 June 2023, the Company did not issue any Additional Tier 1 Notes. As at 30 June 2023, 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.

14. Events after the reporting period

On 1 July 2023, the Company executed on its strategy to sell its Monaco subsidiary, Citi Global Wealth Management S.A.M. to another Citigroup affiliate.

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

15. 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

16. 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**
30 June 2023	190	1,467	21	(32)	1,646	768	2,414
30 June 2022	373	1,890	13	(519)	1,757	35	1,792
Increase/(decrease) compared to prior year	(183)	(423)	8	487	(111)	733	622