CITIGROUP GLOBAL MARKETS LIMITED

(Registered Number: 01763297)

UNAUDITED INTERIM REPORT AND FINANCIAL STATEMENTS

for the six months ended 30 June 2022

CITIGROUP GLOBAL MARKETS LIMITED

These condensed interim financial statements are unaudited

INTERIM MANAGEMENT REPORT

for the six months ended 30 June 2022

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 2022.

1. Introduction

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

CGML is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). CGML is also a Commodity Futures Trading Commission (CFTC) registered swap dealer, and United States Securities Exchange Commission (SEC) registered security-based swap dealer, and is considered a Risk-Taking Operating Material Legal Entity in Citi's Global Resolution Plan. As at 30 June 2022, it had five branch offices and four subsidiaries, listed below. These are not materially active except for the Israel branch, Citigroup Global Markets Europe AG, and Citigroup Global Markets Funding Luxembourg SCA. The Italy branch of CGML is currently in liquidation, which is expected to be completed in 2022. 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 is also expected to be completed in 2022, subject to regulatory approvals. Changes after the reporting period are discussed in the Interim management report and in Note 14 'Events after the reporting period'.

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

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 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 2022 - 2024 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

	2022 $ Million	2021 $ Million
Commission income and fees	436	652
Net dealing income	1,898	1,599
Interest receivable	16	2
Interest payable	(558)	(399)
Gross profit	**1,792**	**1,854**
Operating expenses	(1,729)	(1,483)
Impairment release /(loss) of investments	—	—
Other income and expenses	13	10
Operating profit on ordinary activities before taxation	**76**	**381**
Tax on profits on ordinary activities	(23)	(19)
Profit after taxation for the financial year	**53**	**362**

Gross Profit

Gross profit decreased by $62 million, a 3% decrease on 2021. While new variants of COVID-19 led to some additional uncertainties in the market, the distribution of vaccines and easing of lockdowns were followed by an economic rebound in 2021 in particular in Investment Banking. In 2022, the elevated level of inflation and geo-political developments, which include the military action of Russian forces into Ukraine, has resulted in significant volatility. Global Investment Banking activity fell significantly against a back-drop of uncertainty as global investment banking fees fell to a three-year low. In contrast, the Markets business out-performed compared to plan as a result of market volatility and client activity, particular in the energy sector across power and gas.

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. In 2021, M&A activity surpassed record levels as markets recovered and businesses looked to take advantage of the low interest rates. In contrast, geo-political uncertainty in 2022, as referenced above, led to a significant decline in overall Investment Banking fees as overall fears of recessions grow. This resulted in a $(216) million decrease.

Net Dealing Income

The foremost contributors to net dealing income were the Fixed Income and Equities businesses. Net dealing income rose by $299 million mainly on account of the heightened levels of trading activity in the Commodities market, in particular 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 compared to 2021 as a result of increasing yields as central bank rates continue to rise to combat inflation.

Operating Expenses

Operating expenses were $1,729 million, an increase of $246 million compared to 2021, with the largest costs relating to compensation and benefits of $781 million (2021: $877 million). The increase in operating expenses was largely on account of the recognition of a material provision. For reasons of privilege and confidentiality, no further information is disclosed in respect of the provision.

3. Financial Highlights (continued)

3.2 Balance Sheet

	30 June 2022	31 December 2021	30 June 2021
	$ Million	$ Million	$ Million
Total Assets	517,145	451,281	474,795
Total Liabilities	488,403	422,762	448,413
Shareholders' funds	28,742	28,519	26,382

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 2022 and compared to June 2021 was mainly driven by an increase in client activity and mark-to-market across interest rate derivatives and in commodity derivatives following the market volatility, in addition to an increase in margin posted and received as a result.

Shareholders' funds were $28,742 million (30 June 2021: $28,519 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. 2022 Future Outlook

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

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

Recent amendments in the U.K. government's economic policies have resulted in increased market volatility in U.K. government securities and in the value of the GBP against the USD. While there has been no material impact to date, the Company continues to monitor the situation and to manage exposures proactively.

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

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

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 2021 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 2021. 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 2021 annual report on form 10-K and in its 2022 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.

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 hypothetical scenarios. The extent of the future impacts for CGML of these events, along with those of the COVID 19 pandemic, remains uncertain but may include sustained higher inflation or interest rates and financial market volatility and the Company continues to consider as part of its ongoing evaluations.

Based on the above, 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 2022 and since year end were:

Non-Executive
S J Clark
W M N Fall
J P Moulds (Chairman)
D L Taylor (resigned on 26 April 2022)

P B Henry was appointed as Non-Executive Director on 1 September 2022. I Plunkett was appointed as Non-Executive Director on 4 October 2022.

Executive
L Arduini
J D K Bardrick
D Jain
F M Mannion (resigned on 31 March 2022)
A-M Tassell
Z V Wimborne

L Arduini resigned as Executive Director with effect from 28 July 2022. A Raja was appointed as Executive Director on 28 July 2022. F Tobias Marin was appointed as Executive Director on 3 August 2022.

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 (2021: $nil).

Events after the reporting period

On 2 August 2022 CGML made a capital contribution of $500 million to its subsidiary, Citigroup Global Markets Europe AG ("CGME").

On 6 September 2022, CGML issued an additional $1.5 billion of "Minimum Requirements for Own Funds and Eligible Liabilities" ("MREL") eligible subordinated loans.

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 2022.

By order of the Board

J D K Bardrick
Director and Chief Executive Officer

4 November 2022

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 2022

	Notes	30 June 2022 $ Million	30 June 2021 $ Million
Commission income and fees		436	652
Net dealing income		1,898	1,599
Interest receivable		16	2
Interest payable		(558)	(399)
Gross profit		1,792	1,854
Operating expenses		(1,729)	(1,483)
Impairment of investments in subsidiary	**8**	—	—
Net finance income on pension		5	—
Other income		8	10
Operating profit on ordinary activities before taxation		76	381
Tax on profits on ordinary activities	**6**	(23)	(19)
Profit after taxation for the financial year		53	362

The accompanying notes on pages 13 to 35 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

	Notes	30 June 2022 $ Million	30 June 2021 $ Million
Profit after taxation for the financial year		53	362
<u>Other Comprehensive Income</u>			
Items that will not be reclassified subsequently to profit or loss:			
Gross gains/(losses) on remeasurement of defined benefit pension asset		(72)	(11)
Deferred tax (charge)/benefit associated with remeasurement of pension asset		42	(22)
Deferred tax charge associated with rate change on remeasurement of pension asset		—	—
Gains/(losses) on debt valuation adjustment (DVA) attributed to the change in credit risk		524	(28)
Deferred tax (charge)/benefit associated with loss on DVA		(152)	20
Total other comprehensive income/(expense)		342	(41)
Total comprehensive gain for the financial year		395	321

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 35 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

	Notes	Share Capital $ Million	Other equity instruments $ Million	Capital reserve $ Million	Equity reserve $ Million	Retained earnings $ Million	Total $ Million
At 1 January 2021		**1,500**	**2,300**	**12,999**	**1,264**	**2,704**	**20,767**
Profit after taxation for the year						362	362
Gross losses on remeasurement of defined benefit pension asset		—	—	—	—	(11)	(11)
Deferred tax benefit associated with remeasurement of pension asset		—	—	—	—	(22)	(22)
Loss on debt valuation adjustment (DVA)		—	—	—	—	(28)	(28)
Tax benefit associated with gains on DVA		—	—	—	—	20	20
Total comprehensive expense		—	—	—	—	(41)	(41)
Share based payment transactions		—	—	—	(52)	—	(52)
Deferred tax charge associated with share based payment transactions		—	—	—	17	—	17
Capital contribution		—	—	5,500	—	—	5,500
Dividend on other equity instruments		—	—	—	—	(169)	(169)
At 30 June 2021		**1,500**	**2,300**	**18,499**	**1,229**	**2,856**	**26,384**
At 31 December 2021		**19,999**	**4,300**	**—**	**1,261**	**2,959**	**28,519**
Profit after taxation for the year		—	—	—	—	53	53
Gross gains on remeasurement of defined benefit pension asset		—	—	—	—	(72)	(72)
Deferred tax loss 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 benefit/(loss) associated with share based payment transactions		—	—	—	(19)	—	(19)
Capital contribution	**11**	—	—	—	—	—	—
Conversion of Capital reserve into Share capital	**11**	—	—	—	—	—	—
Other equity instruments issued	**11**	—	—	—	—	—	—
Dividend on other equity instruments		—	—	—	—	(222)	(222)
Loss on debt valuation adjustment (DVA) disposal		—	—	—	—	—	—
Tax benefit associated with loss on DVA disposal		—	—	—	—	—	—
At 30 June 2022		**19,999**	**4,300**	**—**	**1,311**	**3,132**	**28,742**

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 35 form an integral part of these financial statements.

CITIGROUP GLOBAL MARKETS LIMITED

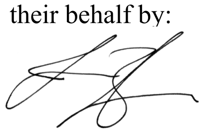
BALANCE SHEET

as at 30 June 2022

	Notes	30 June 2022 $ Million	31 December 2021 $ Million
Assets			
Financial assets at amortised cost			
– cash at bank		6,633	8,463
– collateralised financing transactions	**7**	103,143	76,862
Financial assets mandatorily at fair value through profit or loss			
– derivatives		198,809	157,281
– inventory		60,624	64,751
– equity securities held for investment		106	106
Financial assets designated at fair value through profit or loss		66,397	81,701
Investments in subsidiary and related undertakings	**8**	3,830	3,830
Pension asset		428	547
Other assets		77,175	57,740
Total Assets		**517,145**	**451,281**
Liabilities and Equity			
Financial liabilities at amortised cost			
– bank loans and overdrafts	**7**	13,359	7,201
– collateralised financing transactions	**7**	61,744	63,067
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives		199,589	161,797
– securities sold but not yet purchased	**7**	56,038	65,997
Financial liabilities designated at fair value through profit or loss	**7**	76,739	69,388
Other liabilities		71,334	46,712
Subordinated loans	**9**	9,600	8,600
Total Liabilities		**488,403**	**422,762**
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		4,443	4,220
Shareholders' funds		**28,742**	**28,519**
Total Liabilities and Shareholders' Funds		**517,145**	**451,281**

The accompanying notes on pages 13 to 35 form an integral part of these financial statements.

The financial statements on pages 8 to 12 were approved by the Directors on 3 November 2022 and were signed on their behalf by:



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

CITIGROUP GLOBAL MARKETS LIMITED

STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

	Notes	2022 $ Million	2021 $ Million
Cash flows from operating activities:			
Profit before taxation		76	381
Adjustments for:			
Depreciation and amortisation		25	27
Provision charged and other movements during the year		164	4
(Income)/expense related to Pension		74	11
Net impairment charge/(release) on investment securities	**8**	—	—
Net impairment loss on loans and advances		5	—
Net loss/(gain) on other fair value items		—	(13)
Other non-cash movements including exchange rate movements		—	(2)
Net interest income		542	397
		886	805
Changes in:			
Financial assets at amortised cost		(26,286)	(10,468)
Financial assets mandatorily at fair value through profit or loss		(37,401)	29,419
Financial assets designated at fair value through profit or loss		15,303	18,652
Other assets		(20,385)	(2,583)
Financial liabilities at amortised cost		4,989	(1,686)
Financial liabilities mandatorily at fair value through profit or loss		27,834	(43,849)
Financial liabilities designated at fair value through profit or loss		7,352	10,151
Other liabilities		24,677	503
		(3,031)	944
Interest received		1,047	435
Interest paid		(524)	(550)
Income taxes paid		96	(88)
Net cash used in operating activities		**(2,412)**	**741**
Cash flows from investing activities			
Dividends received from investments		8	10
Acquisition of investment securities	**8**	—	(1,703)
Acquisition of intangible assets		(50)	(43)
Net cash used in investing activities		**(42)**	**(1,736)**
Cash flows from financing activities			
Issue of Additional Tier 1 capital	**11**	—	—
Capital contribution received from parent	**11**	—	5,500
Proceeds from issue of subordinated liabilities	**9**	1,000	(2,000)
Dividends paid on other equity instruments		(222)	(169)
Net cash from financing activities		**778**	**3,331**
Net increase in cash and cash equivalents		(1,676)	2,336
Cash at bank including bank overdrafts at 1 January		6,970	5,427
Cash at bank including bank overdrafts at 30 June		**5,294**	**7,763**

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 2022.

The financial statements of the Company at the year ended 31 December 2021 are available upon request from the Company's registered office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

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 2021.

3. Principal accounting policies

(a) Basis of presentation

These interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2021. There were no differences between EU-adopted IFRS and UK-adopted IFRS in standards effective at the reporting date. The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to CGML. 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.

As was reported in the ultimate parent company's (Citigroup's) Quarterly Report on SEC Form 10-Q for the quarterly period ended 30 June 2022, Citigroup disclosed that rapidly evolving challenges and uncertainties related to the COVID-19 pandemic in the U.S. and globally, including the duration and further spread of the coronavirus as well as any variants becoming more prevalent and impactful; further production, distribution, acceptance and effectiveness of vaccines; availability and efficiency of testing; the public response and government actions (or inaction); any weakness or slowing in the economic recovery or a further economic downturn, whether due to further pandemic restrictions and lockdowns, supply chain disruptions, higher inflation, higher interest rates or otherwise; the impact of the pandemic on Citi's consumer and corporate borrowers, including greater stress levels on some borrowers as the benefits of credit assistance and customer support further wane; and the potential impact on Citi's businesses and overall results of operations and financial condition.

3. Principal accounting policies (continued)

(a) Basis of presentation (continued)

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.

(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 2022, 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 2022.

Standards and amendments issued and effective from 1 January 2022

There are a number of accounting standards that have been amended by the International Accounting Standards Board ("IASB"), which became effective from 1 January 2022. They include:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3).

Standards and amendments issued but not yet effective as at 30 June 2022

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

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (not yet endorsed by the EU);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (not yet endorsed);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (not yet endorsed by the EU);
- Definition of Accounting Estimates (Amendments to IAS 8) (not yet endorsed by the EU);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (not yet endorsed by the EU).

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 2021 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 2022 $ Million	30 June 2021 $ Million
UK corporation tax		
Current tax on income for the period	—	51
Current tax on ATI coupon	(56)	(45)
Adjustment in respect of overseas tax for previous years	—	—
Overseas current tax	42	60
Adjustments in respect of prior periods	—	—
Total current tax	**(14)**	**65**
Deferred tax:		
Origination and reversal of temporary differences	37	(46)
Overseas Deferred tax in respect of Foreign branch operations	—	—
Total deferred tax	**37**	**(46)**
Tax on profit on ordinary activities per P&L	**23**	**19**

(b) Recognised in Statement of Changes in Equity

	30 June 2022 $ Million	30 June 2021 $ Million
Deferred tax (benefit)/charge associated with remeasurement of pension asset	(42)	22
Deferred tax (benefit)/charge associated with share based payment transactions	19	(17)
Deferred tax (benefit)/charge associated with gains on debt valuation adjustment	152	(20)
Total current and deferred tax charge/(credit) recognised in equity	129	(15)

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 27% (30 June 2021: 27%). This includes a surcharge of 8% on the profits of banking companies applicable from 1 January 2016. Overseas branches provided for taxation at the appropriate rates for the countries in which they operate.

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 will be 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 will be effective as of 1 April 2023. Enactment of the increase in February has resulted in a deferred tax charge of \$37m being recorded in the Income Statement and a deferred tax credit of \$11m in Other Comprehensive Income.

The UK government announced a reversal of the above rate changes in it's budget on 23 September 2022, retaining the UK main rate of corporation tax at 19% and the banking surcharge at 8% from 1 April 2023. As the new rates were not substantively enacted at the balance sheet date there is no impact on the tax balances.

The interim tax charge has been calculated based upon a forecast effective tax rate ("ETR") for the year of 47.45% (30 June 2021: 29.08%), before accounting for discrete items, such as the tax deduction of Additional Tier 1 (‘AT1’) coupons and the uplift in deferred tax due to the rate change. This is higher than the statutory rate due to permanent differences, the main ones being bank levy, non-taxable income on gilts and withholding tax which is not expected to be fully creditable.

(d) Deferred tax

	30 June 2022 \$ Million	**30 June 2021 \$ Million**
Deferred tax liability on pension asset (included within Other liabilities)	(119)	(148)
Deferred Tax asset on other temporary differences included in Other Assets	109	**339**

Deferred tax is recognized on the company's temporary differences as it is considered probable that tax assets 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 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	—	—	6,633	—	6,633	6,633
Derivatives	198,809	—	—	—	198,809	198,809
Inventory	60,624	—	—	—	60,624	60,624
Equity securities held for investment	—	—	—	106	106	106
Collateralised financing transactions	—	66,397	103,143	—	169,540	169,540
Cash collateral pledged	—	—	48,791	—	48,791	48,791
Trade debtors	—	—	27,498	—	27,498	27,498
Other debtors	—	—	296	—	296	296
	259,433	66,397	186,361	106	512,297	512,297
Bank loans and overdrafts	—	—	13,359	—	13,359	13,169
Derivatives	199,589	—	—	—	199,589	199,589
Securities sold but not yet purchased	56,038	—	—	—	56,038	56,038
Collateralised financing transactions	—	52,352	61,744	—	114,096	114,096
Hybrid financial liabilities	—	24,387	—	—	24,387	24,387
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	—	—	9,600	—	9,600	9,819
	255,627	76,740	155,674	—	488,041	488,070

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

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

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 2022	**Level 1 $ Million**	**Level 2 $ Million**	**Level 3 $ Million**	**Total $ Million**
Financial assets mandatorily at fair value				
Derivatives	68	194,856	3,885	198,809
Government bonds	22,437	4,570	104	27,111
Non-government bonds	1,215	10,033	505	11,753
Equities	18,370	182	93	18,645
Commodities	—	3,064	—	3,064
Commercial Paper	—	52	—	52
	42,090	212,757	4,587	259,434
Financial assets designated at fair value				
Collateralised financing transactions	—	66,312	85	66,397
Other financial assets at fair value through P&L				
Equity securities held for investment	—	—	106	106
	42,090	279,069	4,778	325,937
Financial liabilities mandatorily at fair value				
Derivatives	95	194,559	4,935	199,589
Securities sold but not yet purchased	47,349	8,653	36	56,038
	47,444	203,212	4,971	255,627
Financial liabilities designated at fair value				
Collateralised financing transactions	—	52,352	—	52,352
Hybrid financial liabilities	—	20,087	4,300	24,387
	47,444	275,651	9,271	332,366

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

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

During the first half of 2022, above a $100 million threshold, a total balance of $2.8 billion was transferred to Level 2 from Level 1 and $7.5 billion was transferred to Level 1 from Level 2. Transfers between Level 1 and Level 2 were driven by changes in the observability of securities.

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

30 June 2022	**Level 1 $ Million**	**Level 2 $ Million**	**Level 3 $ Million**	**Total $ Million**
Financial assets at amortised cost				
Cash	—	6,633	—	6,633
Collateralised financing transactions	—	103,143	—	103,143
Cash collateral pledged	—	48,791	—	48,791
Trade debtors	—	27,498	—	27,498
Other debtors	—	296	—	296
	—	186,361	—	186,361
Financial liabilities at amortised cost				
Bank loans and overdrafts	—	13,359	—	13,359
Collateralised financing transactions	—	61,744	—	61,744
Cash collateral held	—	47,050	—	47,050
Trade creditors	—	21,637	—	21,637
Other creditors and accruals	—	2,284	—	2,284
Subordinated loans	—	9,600	—	9,600
	—	155,674	—	155,674

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

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

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 2022.

Fair Value Measurement

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

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

Fair Value Hierarchy

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

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

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

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

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

Fair Value Hierarchy (continued)

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

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

Determination of Fair Value

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

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

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

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

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

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

Determination of Fair Value (continued)

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

Market valuation adjustments

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

Credit valuation adjustments

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

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

Derivatives

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

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

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

Government bonds, corporate bonds and equities

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

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

Government bonds, corporate bonds and equities (continued)

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

Collateralised financing transactions

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

Changes in Level 3 Fair Value Category

The following tables present the changes in the Level 3 fair value category for the period ended 30 June 2022 and year ended 31 December 2021. 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.

		Gain/(loss) recorded in the profit and loss statement								
At 30 June 2022	**At 1 January 2022**	**Realised**	**Unrealised**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**At 30 June 2022**
	$ Million	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**
Financial assets mandatorily at fair value										
Derivatives	2,964	369	1,260	426	(12)	—	—	964	(2,086)	3,885
Government bonds	29	(2)	(24)	68	(20)	—	—	53	—	104
Non-government bonds	661	(3)	(33)	573	(615)	—	—	180	(258)	505
Equities	42	8	(8)	93	(49)	—	—	41	(34)	93
Financial assets designated at fair value										
Collateralised financing transactions	92	(9)	12	124	—	—	(131)	1	(4)	85
Other assets at fair value through P&L										
Equity securities held for investment	106	—	—	—	—	—	—	—	—	106
	3,894	363	1,207	1,284	(696)	—	(131)	1,239	(2,382)	4,778

		(Gain)/loss recorded in the profit and loss statement								
	At 1 January 2022	**Realised**	**Unrealised**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**At 30 June 2022**
Financial liabilities held for trading	**$ Million**	**$ Million**		**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**
Derivatives	3,735	491	1,263	656	—	—	—	983	(2,193)	4,935
Securities sold but not yet purchased	40	(7)	9	8	—	—	(38)	25	(1)	36
Financial liabilities designated at fair value										
Hybrid financial liabilities	4,171	(646)	(539)	—	—	1,159	(584)	1,001	(262)	4,300
	7,946	(162)	733	664	—	1,159	(622)	2,009	(2,456)	9,271

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

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

		(Gain)/loss recorded in the profit and loss statement								
	At 1 January 2021	**Realised**	**Unrealised**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfers into Level 3**	**Transfers out of Level 3**	**At 31 December 2021**
Financial liabilities held for trading	**$ Million**	**$ Million**		**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**	**$ Million**
Derivatives	2,918	191	1,020	157	(2)	—	(374)	2,858	(3,033)	3,735
Securities sold but not yet purchased	123	18	(81)	10	(10)	30	(41)	24	(33)	40
Financial liabilities designated at fair value										
Collateralised financing transactions	4,492	(104)	(177)	—	—	2,371	(1,900)	266	(777)	4,171
	7,533	105	762	167	(12)	2,401	(2,315)	3,148	(3,843)	7,946

During the first half of 2022, there has been a $2.2 billion increase in total Level 3 balances driven by a $0.9 billion increase on assets and by a $1.3 billion increase on liabilities.

The Level 3 increase on assets was driven by $1.6 billion increase on gains/losses, $1.3 billion increase on purchases, and $1.2 billion increase on Level 3 transfer-ins. These were partially offset by a $2.4 billion decrease on Level 3 transfer-outs, and $0.7 billion decrease on sales. Gains/losses was driven by $0.7 billion on commodity derivatives mainly commodity options and commodity swaps, and $0.7 billion on equity derivatives mainly equity options. Purchases was driven by $0.6 billion on bonds, $0.2 billion on equity derivatives, and $0.1 billion on credit derivatives. Transfer-ins was driven by $0.3 billion on equity derivatives, $0.3 billion on credit derivatives, $0.2 billion on interest rate derivatives, and $0.2 billion on bonds. Transfer-outs was driven by $0.9 billion on commodity derivatives mainly commodity swaps, $0.5 billion on interest rate derivatives mainly cap/floor and exotic interest rate derivatives, $0.2 billion on equity derivatives, $0.2 billion on credit derivatives, and $0.3 billion on bonds. Sales was driven by $0.6 billion on bonds. Level 3 transfer-ins and transfer-outs were largely driven by significance testing.

The Level 3 increase on liabilities was driven by $1.1 billion increase on issuances pertaining to hybrid financial liabilities mainly on structured notes.

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 gain of $999 million (2021: $688 million loss) was recognised in the income statement relating to items where fair value was estimated using a valuation technique that incorporated one or more significant inputs based on unobservable market data. As these valuation techniques were based upon assumptions, changing the assumptions would change the estimate of fair value. The potential impact of using reasonably possible assumptions in line with those used for the Company's Regulatory Prudential Adjustment for the valuation techniques for both observable and unobservable market data has been quantified as approximately $783 million downside and $913 million upside (2021: $647 million downside and $659 million upside). The main contributors to this impact were Equity Markets, Credit Trading and Interest Rates Trading businesses.

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

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

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

Valuation Techniques and Inputs for Level 3 Fair Value Measurements

The following tables present the valuation techniques covering the majority of Level 3 inventory and the most significant unobservable inputs used in Level 3 fair value measurements as of 30 June 2022 and 31 December 2021. 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.

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

30 June 2022	Fair Value $ Million	Methodology	Input	Range of Inputs Min	Max	Unit
Assets						
Derivative assets	3,885					
Equity Derivatives		Model-based	Equity Volatility	0.1	314.0	%
		Model-based	Equity-Equity Correlation	-6.5	99.7	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	49.0	247.1	%
		Model-based	Commodity-FX Correlation	-30.0	40.0	%
		Price-based	Price	—	8,922.8	$
Commodity Derivatives		Model-based	Forward Price	12.5	381.8	%
		Model-based	Commodity Volatility	13.0	107.3	%
		Model-based	Commodity Correlation	-53.0	93.5	%
Inventory	702					
Non-government bonds		Model-based	Equity Volatility	0.1	313.9	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	49.0	247.1	%
Equity		Price-based	Price	0.0	8,922.8	$
Liabilities						
Derivative liabilities	4,935					
Commodity Derivatives		Model-based	Forward Price	12.5	381.8	%
		Model-based	Commodity Volatility	13.0	107.3	%
		Model-based	Commodity Correlation	-53.0	93.5	%
		Model-based	Commodity-FX Correlation	-30.0	40.0	%
Equity Derivatives		Model-based	Equity Volatility	0.1	314.0	%
		Model-based	FX Volatility	—	184.2	%
		Model-based	Equity-IR Correlation	-10.0	60.0	%
		Model-based	Equity-Equity Correlation	-6.5	99.7	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	49.0	247.1	%
		Model-based	Commodity-FX Correlation	-30.0	40.0	%
		Model-based	Dividend amount	0.1	271.8	$
		Price-based	Price	—	8,922.8	$
Foreign Exchange Derivatives		Model-based	IR Normal Volatility	0.3	1.4	%
Interest Rate Derivatives		Model-based	IR Normal Volatility	0.4	1.4	%
		Model-based	IR-FX Correlation	-32.0	52.0	%
		Model-based	IR-IR Correlation	-78.0	64.0	%
		Model-based	Inflation Volatility	0.4	3.2	%
Hybrid financial liabilities	4,300	Model-based	Equity Volatility	0.1	313.9	%
		Model-based	Forward Price	12.5	381.8	%
		Model-based	FX Volatility	—	184.2	%
		Model-based	Equity-IR Correlation	-10.0	60.0	%
		Model-based	Commodity Volatility	13.0	107.3	%
		Model-based	Equity-Equity Correlation	-6.5	99.7	%
		Model-based	Commodity Correlation	-53.0	93.5	%
		Model-based	Equity-FX Correlation	-95.0	80.0	%
		Model-based	Equity Forward	49.0	247.1	%
		Price-based	Price	—	8,922.8	$
		Model-based	IR Normal Volatility	0.3	1.4	%

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

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

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

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

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

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

Yield

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

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

Volatility

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

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

Correlation

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

Qualitative discussion of the ranges of significant unobservable inputs

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

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

Qualitative discussion of the ranges of significant unobservable inputs (continued)

Price

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

Yield

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

Volatility

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

Correlation

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

8. Investments in subsidiary and related undertakings

	30 June 2022 $ Million	31 December 2021 $ Million
Cost		
At 1 January	3,830	2,125
Additions	—	1,705
Disposals	—	—
At 30 June	3,830	3,830
Impairment		
At 1 January	—	—
(Reversal)/Charge for the year:	—	—
At 30 June	—	—
Net book value		
At 30 June	3,830	3,830

Details of all related undertakings held at 30 June 2022 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.

8. Investments in subsidiary and related undertakings (continued)

The Company did not make any capital contribution during the period ended 30 June 2022. On 2 February 2021, CGML made a capital contribution of $700 million to its subsidiary, CGME. On 12 April 2021, CGME received further capital contribution of $500 million from CGML. On 23 June 2021 CGML made further capital contribution of $503 million to its subsidiary, CGME.

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

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 2022	USD	9,600	3.48%	8.64
31 December 2021	USD	8,600	2.14%	7.40

As at 30 June 2022, subordinated loans consists of a) $7,000 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 2022 CGML issued $1,000 million of MREL loans to Citicorp LLC.

The MREL loans rank as senior subordinated claims, which are subordinate to the claims of senior creditors, but rank ahead of Own Funds Instruments, which comprise Common Equity Tier 1 instruments, Additional Tier 1 instruments (see Note 11) and Tier 2 instruments.

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

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

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

10. Other equity instruments

During the period ended 30 June 2022, the Company did not issue any Additional Tier 1 Notes. As at 30 June 2022, 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 2022. During 2021, CGML received $5.5 billion from its parent, Citigroup Global Markets Holdings Bahamas Limited.

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 2021.

Interest Rate Benchmark Reform

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

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

During the first 6 months of 2022, the balance of unreformed contracts - which includes those with a fallback clause that deals with the cessation of the existing IBOR – continued to decrease compared to the previous annual reporting date. For further details, refer to the previous annual financial statements.

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 2022	Immediate parent company $ Million	Subsidiaries $ Million	Other related parties $ Million
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	1,480
– collateralised financing transactions	—	5,418	71,379
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	6,440	93,174
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	1	182
Investments in subsidiary and related undertakings	—	3,830	—
Pension asset	—	—	—
Other assets	—	1,744	12,859
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	12,000
– collateralised financing transactions	—	5,920	34,100
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	5,656	95,680
– securities sold but not yet purchased	—	1,420	—
Financial liabilities designated at fair value through profit or loss	—	24,387	—
Other liabilities	—	2,421	8,337
Subordinated loans	—	—	9,600
Guarantees and commitments	—	970	—
Income statement			
Fee and commission income	—	1	90
Net dealing income /(expense)	—	8,615	1,289
Interest receivable	—	(45)	123
Interest payable	—	(3)	(335)
Operating expenses	—	1	(305)
Net finance income on pension	—	—	—
Other income	—	—	—

13. Related party transactions (continued)

31 December 2021	**Immediate parent company**	**Subsidiaries**	**Other related parties**
	$ Million	**$ Million**	**$ Million**
Assets			
Financial assets at amortised cost			
– cash at bank	—	—	2,373
– collateralised financing transactions	—	4,927	52,957
Financial assets mandatorily at fair value through profit or loss			
– derivatives	—	3,645	78,335
– inventory	—	—	—
– equity securities held for investment	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—
Investments in subsidiary and related undertakings	—	3,830	—
Pension asset	—	—	—
Other assets	—	1,198	8,655
Liabilities			
Financial liabilities at amortised cost			
– bank loans and overdrafts	—	—	5,678
– collateralised financing transactions	—	6,399	35,255
Financial liabilities mandatorily at fair value through profit or loss			
– derivatives	—	3,684	80,263
– securities sold but not yet purchased	—	2,925	—
Financial liabilities designated at fair value through profit or loss	—	23,677	—
Other liabilities	—	252	7,029
Subordinated loans	—	—	8,600
Guarantees and commitments	—	—	—
30 June 2021			
Income statement			
Fee and commission (expense)/ income		(15)	71
Net dealing expense	—	1,249	(1,930)
Interest receivable	—	(35)	47
Interest payable	—	(2)	(197)
Operating expenses	—	(2)	(275)
Net finance income on pension	—	—	—
Other income	—	—	—

No provisions have been recognised (2021: $nil) in respect of doubtful debts related to the amount of outstanding balances and no expense has been recognised during the year (2021: $nil) in respect of bad or doubtful debts due from related parties.

13. Related party transactions (continued)

During the period ended 30 June 2022, the Company did not make any capital contribution to its subsidiaries (2021: $1,703 million) and did not receive any capital contribution from its parent, CGMHBL (2021: $5,500 million). During the period ended 30 June 2022, the Company did not issue any Additional Tier 1 Notes. As at 30 June 2022, 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 2 August 2022 CGML made a capital contribution of $500 million to its subsidiary, CGME.

On 6 September 2022, CGML issued an additional $1.5 billion of MREL eligible subordinated loans.

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 2022	190	1,467	21	(32)	1,646	146	1,792
30 June 2021	373	1,890	13	(519)	1,757	97	1,854
Increase/(decrease) compared to prior year	(183)	(423)	8	487	(111)	49	(62)