Citigroup Global Markets Europe AG

Frankfurt am Main

Management Report and Annual Financial Statements as of December 31, 2021

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

For the financial year 1 January to 31 December 2021

The past financial year featured significant global challenges which continued to affect the operating environment for CGME. The Supervisory Board has been impressed by the way CGME was able to manage the ongoing challenges, complexity and implications during the first post-Brexit year and the ongoing Covid-19 pandemic. The sound leadership of the Management Board helped CGME to navigate the associated alternating Working-From-Home and Return-To-Office, and to ensure the safety and well-being of employees. CGME continued to serve and support its customers and markets during this time of continued change and significant volatility. The stability of CGME's capital, liquidity and people was a reassuring and clear sign of the bank's resilience and ability to adapt.

During the year the Supervisory Board had information provided to it on an ongoing basis by the Management Board in relation to performance against strategy, compliance with applicable laws and regulations and the development of business and risks during the financial year.

The ongoing European Target Operating Model project and its implications for CGME resulted in assumptions and forecasts having to be revised more than once. This, in conjunction with having to work on the build-out based on the licensing agreement, and the milestones in terms of the various products and services requiring adjustment, meant that the Supervisory Board requested and received regular updates relating to earnings forecasts, liquidity, capital management and the risk profile of the bank.

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

- The execution of Brexit plans and post implementation issues,
- Submission of the CRR Credit Institution license application and the associated Strategic Plan
- Preparations for direct ECB supervision,
- ECB Desk Mapping Review,
- CGME / CEP Legal entity alignment project,
- The capital plan and the 'path to profitability',
- CGME resolvability
- Board appointments and the organizational structure of the company,
- Risk management: comprehensive status updates of the risk inventory and a forward-looking overview of enhancements to risk governance,
- The outsourcing of services, and the establishment of the Belfast sub-branch

In addition, the Supervisory Board worked with the Management Board in the context of numerous changes in laws and regulations. Most importantly, the bank has focused extensively on the significant preparations for the post Brexit target operating model, the anticipated shift to ECB supervision and notable developments regarding CGME's relicensing program and branch re-authorizations.

The Supervisory Board also monitored and challenged the management of the company in accordance with the provisions in the law, the Articles of Association of the company and the Rules of Procedure for the Supervisory Board. In light of CGME's transition to an ECB supervised significant institution post Brexit, there have been several changes in CGME's Supervisory and Management Boards adding capabilities and capacity to the organization.

Personnel

The Supervisory Board consists of 6 members under the Articles of Association. The composition of the Supervisory Board changed in the reporting year. Dagmar Kollmann was appointed to the Supervisory Board on 12 October 2021 with effect 1 November 2021 and was elected as Chair on 1 November 2021. Barbara Frohn succeeded Stefan Wintels in his position as Vice-Chair. Stefan Wintels resigned from the Supervisory Board effective 17 July 2021 to become Chief Executive Officer of Kreditanstalt für Wiederaufbau (KfW), the German government-owned development bank.

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

In addition, the Supervisory Board held 6 extraordinary meetings.

The Supervisory Board established a Remuneration Committee (RemCo) in Q3 2021 to comply with requirements under applicable remuneration laws. Due to further developments regarding CGME's target operating model in the post-Brexit era, three more committees will be established in early 2022. Before the official establishment of a RemCo, there was one meeting in January 2021 (for FY 2020) with reference to "RemCo" as working title. The actual RemCo then met two times in 2021, in November and December (for FY 2021).
The RemCo has considered the remuneration of the Management Board, in consideration of the targets and objectives agreed for the financial year, as well as proposals for the targets and objectives for the Management Board for the forthcoming financial year. Preceding a discussion on the 2021 remuneration proposals for the individual Management Board members, the Supervisory Board discussed and evaluated in a separate meeting the results of a benchmarking exercise conducted by an external consultancy. The RemCo also monitored the appropriate structuring of the remuneration systems for CGME employees

Whilst the CGME Supervisory Board established a Nomination Committee (NomCo) only in January 2022, topics pertaining to the appointment of members of the Management Board of CGME were dealt with in three meetings (in July and October) with reference to "NomCo" as working title. It addressed, in particular, issues related to succession and appointments while taking into account statutory and regulatory requirements, and it nominated specific candidates for the Management Board. The committee has also reviewed the contractual framework for management board appointments (external vs. internal hires, tenure, etc.). For new Management Board member candidates, at a minimum three Supervisory Board members were involved in the interview process.

Sylvie Renaud-Calmel was appointed as Head of Markets for CGME, based in Paris effective 16 September 2021 and joined the Management Board of CGME on 15 November 2021. She took over from Kristine Braden who had assumed the Head of Markets responsibility in the Management Board on an interim basis from Christian Spieler, whose membership of the Management Board ceased on 31 March 2021. Sylvie Renaud-Calmel's extensive global experience will enhance CGME's transition to the new post-Brexit structure.
As part of CGME's legal entity strategy, the Corporate Bank team transferred from CGME to Citibank Europe plc. In line with this, Stefan Hafke's membership in the Management Board ceased effective 1 December 2021.
Peter Kimpel was appointed as Head of BCMA for Germany and Austria on 1 July 2021 and joined the CGME Management Board on 1 December 2021. His experience in senior executive roles in the Banking industry is an invaluable addition to the leadership of CGME.

The annual financial statements and the management report for the financial year beginning on 1 January 2021 and ending on 31 December 2021 have been audited by BDO Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. They were found to be in accordance with the provisions in the law as well as the articles of association. The annual financial statements and the management report have been fully certified.

The Supervisory Board approves the BDO audit report and has noted a marked improvement compared to 2020, with a significant reduction in new material findings and substantial remediation of last year's findings. The Supervisory Board thanks the Management Board for its role in achieving this year's satisfactory audit report.

Citigroup Global Markets Europe AG • Reuterweg 16 • 60323 Frankfurt am Main • Postanschrift: Postfach 11 03 33, 60038 Frankfurt am Main
Vorstand: Kristine Braden (Vorsitzende), Peter Kimpel, Dr. Jasmin Kölbl-Vogt, Sylvie Renaud-Calmel, Oliver Russmann, Amela Sapcanin, Jean Young
Vorsitzende des Aufsichtsrats: Dagmar Kollmann
Sitz der Gesellschaft: Frankfurt am Main, HRB 88301 • USt.-Ident.-Nr.: DE 811285276
Tel: +49 (0) 69 1366 0 • Fax: +49 (0) 69 1366 1113 • BIC / S.W.I.F.T.: CITIDEFF

No objections are raised after the final result of the audit of the annual financial statements and the management report made by the Supervisory Board and the explanations provided by the auditor. The Supervisory Board approves the annual financial statements for the financial year and notes a management report submitted by the Management and the proposal regarding the distribution of the balance sheet profit submitted by the Management Board in the ordinary meeting of the Supervisory Board on 27 April 2022.

The Supervisory Board thanks the members of the Management Board and all employees for their service and contribution to achieving the targets set for CGME in the last financial year, an exceptional year that was characterized by change and the global pandemic.

Frankfurt, 27 April 2022

The Supervisory Board

Dagmar Kollmann

- Chair of the Supervisory Board –

Citigroup Global Markets Europe AG • Reuterweg 16 • 60323 Frankfurt am Main • Postanschrift: Postfach 11 03 33, 60038 Frankfurt am Main
Vorstand: Kristine Braden (Vorsitzende), Peter Kimpel, Dr. Jasmin Kölbl-Vogt, Sylvie Renaud-Calmel, Oliver Russmann, Amela Sapcanin, Jean Young
Vorsitzende des Aufsichtsrats: Dagmar Kollmann
Sitz der Gesellschaft: Frankfurt am Main, HRB 88301 • USt.-Ident.-Nr.: DE 811285276
Tel: +49 (0) 69 1366 0 • Fax: +49 (0) 69 1366 1113 • BIC / S.W.I.F.T.: CITIDEFF

Citigroup Global Markets Europe AG, Frankfurt am Main

Management Report for Fiscal Year 2021

Table of Contents

1 Background Information about Citigroup Global Markets Europe AG (CGME)

Background Information about the Bank

1.1 Business Model

Citigroup Global Markets Europe AG, Frankfurt am Main, (CGME) has been since 2021 an international CRR – credit institution within the meaning of Art. 4 § 1 para. 1 (b) CRR[1] in combination with § 32 (1) sentence 3 of the German Banking Act ("KWG") and engages in a business that is focused on, among other things, offering comprehensive financial services as a broker-dealer to clients in the European Union and affording them access to the capital markets. It operates its business at its registered offices in Frankfurt and at its branches in London, Paris, Milan and Madrid.

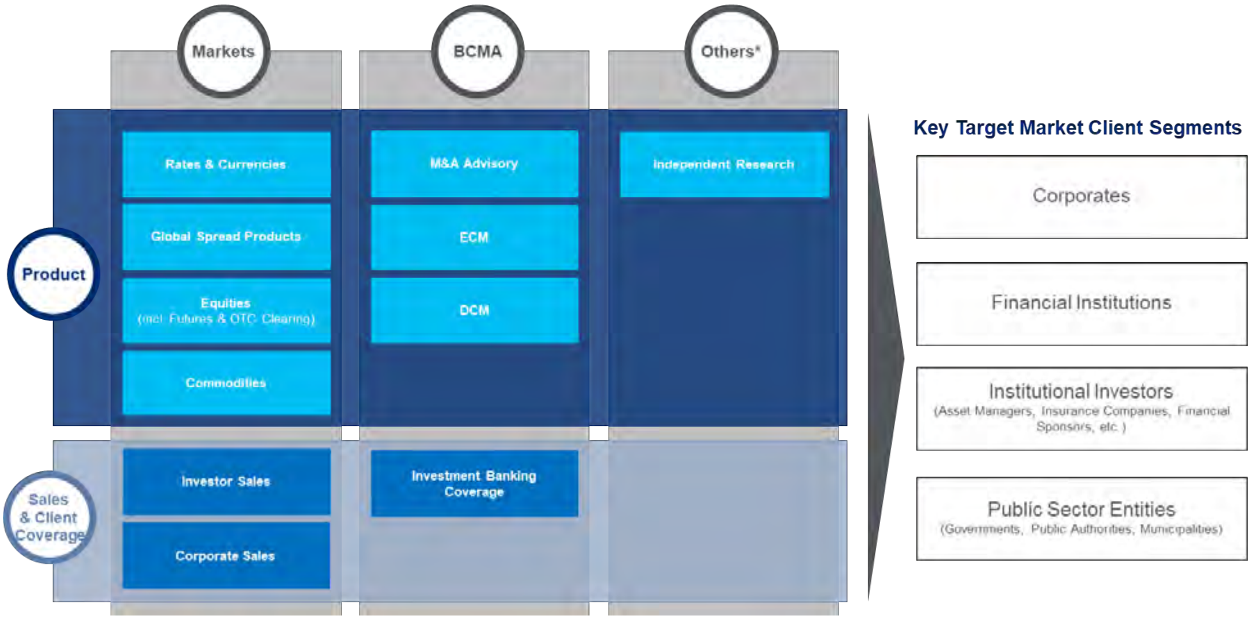
CGME benefits in its business operations, above all, from its integration in the global network of Citigroup, which enjoys a presence in over 160 countries. It maintains active client relationships with Germany's largest enterprises across all industries and with Germany's largest banks, asset managers,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

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

The **focus of CGME's business activities** is on the following business divisions:

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

which offer clients the following product-oriented financial services:



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

[1] CRR = Capital Requirements Regulation (Regulation (EU) no. 575/2013 (Capital Requirements Regulation))

Background Information about the Bank

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

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

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

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

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

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

Background Information about the Bank

1.2 Objectives and Strategies

1.2.1 General information

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

The actual results as well as capital and other financing conditions can differ from the statements and information contained in the strategic plan due to a variety of factors. These factors include, above all, the repercussions from the war in Ukraine and the related consequences, among other things, for the various economies of the European Union. In addition, the other macroeconomic ramifications affecting the capital markets and the lingering and unchanged uncertainties related to the impact of the COVID-19 pandemic, such as the extent and duration of the impact on public health, on the European, the U.S. and the global economies, on financial markets and on the behavior of consumers and corporate clients, including the economic activity and the employment situation in the individual countries, could require some short-term business strategy adjustments. Moreover, the various measures taken by governments, the European Central Bank and the national central banks have consequences for CGME’s business strategy and its implementation.

1.2.2 Fundamental strategic objectives

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

CGME’s strategic plan for the years 2022 through 2024 basically focuses on developing a competitive and sustainable presence within the European Economic Area in order to be able to offer its clients the best possible support following the implementation of BREXIT.

With regard to the individual business divisions or segments as well as the structural and organizational business areas connected with them, the following **strategic objectives** were established:

- **Winning over clients and gaining market share**
    - **“BCMA” business division**
      “Growth in the “Debt Capital Market” (“DCM”), “Equity Capital Markets” (“ECM”) as well as “Mergers and Acquisitions” businesses in an effort to hold and strengthen the leading market position”

      In this regard, the following measures play a central role:

        - Improving the CGME rankings in all of Europe – specifically in the countries in which CGME is not identified among the “best” three institutions
        - Gaining additional market share within the next three years in order to further bolster profitability
        - Expanding the product range to include, for example, “Leveraged Finance”, subject to obtaining a license from the regulatory authorities
        - Recruiting new talent and employees.

- **“Markets” business division**

  “Aiming for a leading market position in this field within Europe”

  with the following sub-goals and implementation measures

  - Securing a role as the “first” at a point of contact for clients
  - Expanding growth and market share in “Commodities” and “Futures, Clearing and FX Prime Brokerage Business” (“FCX Business”)
  - Expanding the product range such as trading in secondary loans, subject to supervisory authority approval

- **Adjusting the future business organization**

  “Adjusting the future business organization in order to comply and accord with the filed CRR license application”

  with the following significant subgoals and implementation measures

  - Expanding the product range within the framework of the filed CRR license application
  - Adjusting the organizational structures and business activities and operating business units to accord with the requirements tied to the CRR license being sought
  - Ensuring a good working relationship with the supervisory or regulatory authorities

- **Engaging in proactive risk management in conformity with the existing risk appetite and risk-bearing (capital) capacity**
  - Global transformation program: Assignment of responsibilities within CGME with regard to global transformation programs and evaluation of the effects on the corporate organization
  - Ensuring a suitable staffing with the requisite professional skills and competence

- **Ensuring a good working relationship with the supervisory or regulatory authorities**

- **Strengthening the Bank’s own governance structures to support agile decision-making**
  - Ensuring a strong and coherent management team (Executive Board and Supervisory Board)
  - Strengthening corporate governance
    - Strengthening the function of the CGME Supervisory Board by improving the structure of subcommittees
    - Forming a new Risk Committee under the Executive Board
    - Strengthening and improving internal control frameworks

- **External image and reputation**
  - CGME intends to participate more strongly in the implementation of regulatory changes in areas such as margin payments, and ESMA notifications
  - Exploitation of specific media in order to publicize favorable news from the various business divisions
  - Consistent portrayal and image within the European Citigroup

- **Promoting talent and managers**
  - Ongoing focus on recruiting and promoting talent in the individual business segments
  - Ensuring that members of the Supervisory Board and the Executive Board have the necessary professional know-how and competence
  - Ensuring appropriate skills and implementing the commensurate human resource planning in departments or divisions like the Risk Management, Compliance and Finance.

Based on the individual strategic plans for the years 2022 to 2024, the following **key financial and non-financial performance indicators** have been established and are routinely monitored under a scorecard model:

- **Financial performance indicators**
  - Earnings before Taxes (EBT)
  - Net Income
  - Operating Efficiency (Ratio of income to expenses before income taxes)
  - Core Tier I ratio (Common Equity Tier 1 Ratio; CET 1)
  - Liquidity indicators "Liquidity Coverage Ratio" and "Net Stable Funding Ratio" comply with the requirements under the CRR

- **Non-financial performance indicators**[2]
  - Number of the (self-identified) regulatory determinations within the internal control process
  - Market share of the individual business divisions within Germany and Europe
  - Development of management standards and promotion of the personal growth and development of the employees including the continued improvement of a suitable performance management and compensation process
  - Implementation of an annual employee survey with the substantive focus on "diversity", "commitment", "management effectiveness" and "ethical corporate culture"
  - Advancement of diversity strategies, which include balanced, gender-specific diversity at individual management levels
  - Employee turnover for specific classes of employees

1.2.3 Markets

During 2021, the "Security Services" division was separated from the **Markets Division** ("MSS") and repositioned organizationally into the same hierarchical level as the "Markets" business division of the Institutional Clients Group (ICG).

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

- Capital Markets, and
- Underwriting.

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

Since March of 2019, the activities primarily in cash products ("non-derivatives") have been enhanced. Moreover, the CGME has been engaged in the business of selling warrants and certificates and brokering equities and equity derivatives with institutional investors. The sale of bonds as well as interest and credit derivatives are also assigned to this business division. The product portfolio includes both structured financial instruments and simple flow transactions (*Flowgeschäfte*). In addition to foreign exchange

[2] Quantitative disclosures are made insofar as they are used for internal management purposes.

business development, this corporate division is also the organizational home for warrants trading and CGME's short-term liquidity management.

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

- Continued expansion of the business with "fixed income insurance" and "pension solutions"
- Focus on the clients, "Insurance companies and pension funds" as well as "Banks and Commercial Clients"
- Intensified implementation of strategic Markets projects
- Continued expansion of the client-based product lines
- Expansion of the business involving equity derivatives, illiquid investment products and structured interest products
- Enhanced cooperation with family offices
- Generation of significant organic growth in the private banking sector.

1.2.4 Banking, Capital Markets & Advisory (BCMA)

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

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

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

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

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

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

- Improvement of the CGME rankings in all of Europe – specifically in the countries in which CGME is not one of the top three institutions
- Acquiring more market share within the next three years in order to further strengthen profitability.

1.2.5 Independent Research (IR)

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

1.3 System of Controls

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

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

The established financial performance indicators, above all EBT and **Operating Efficiency,** are continually monitored by the Executive Board. In order to optimize these indicators, CGME engages in an active cost and income management program. Efforts are constantly underway to improve the control target value for the CGME operating efficiency up to 91% for the years 2022 through 2024.

The **capital adequacy** is calculated according to the principles of the Minimum Requirements for Risk Management of the Banks issued by the Federal Financial Supervisory Authority (BaFin) and dated August 16, 2021 (MaRisk). The identified and quantitative risks and risk coverage potential (*Risikodeckungspotential*) is thereby compared. The capital adequacy is deemed to exist if the significant risks (*wesentlichen Risiken*) of CGME are continually covered by the risk coverage potential after factoring in risk concentrations. With the establishment of the individual risk limits, the transgression (breach) of which is linked to escalation procedures, efforts will have been made to ensure that during the course of the year, the capital adequacy corresponds to the business development. Opposing trends and developments are thereby identified early on and counter-measures are implemented

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

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

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

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

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

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

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

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

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

1.4 Significant Business Policy Events in the recently completed Fiscal Year 2021

In light of the continued expansion of CGME’s business operation in fiscal year 2021 as well as the corresponding quantitative projections about the (risky) business volume for the years thereafter, the sole shareholder of CGME, Citigroup Global Markets Limited, London/UK (CGML), made three additional equity capital contributions in the recently completed fiscal year pursuant to § 272 (2) no. 4 HGB. The first capital infusion was made in February of 2021 in the amount of USD 700 million, which converts into EUR 576.8 million. Two more capital infusions were made thereafter: one in the amount USD 500 million, which converts into EUR 420.4 million, in April 2021 and another in the amount of USD 503 million, which converts into EUR 420.8 million, in June 2021.

By exceeding the significance criterion - total assets of EUR 30 billion based on a 12-month average - in June of fiscal year 2021, the Bank is now in the process of securing re-authorization and re-licensing in order to provide services to customers in and from the European Economic Area (EEA). Since June of 2021, the Bank has been classified as a CRR credit institution within the meaning of Regulation (EU) no. 575/2013 and a public interest entity (*Unternehmen im öffentlichen Interesse*) pursuant to § 316a of the German Commercial Code (HGB). The completion of the ongoing licensing process and the commencement of the process to shift the supervisory or regulatory function from BaFin to the European Central Bank is expected in the first quarter of 2023 at the earliest.

As part of the review of its strategic model and organizational structure, the Bank transferred around 40 employees from the "Securities Services Sales & Client Coverage", "Corporate Banking Coverage" and "Private Banking" divisions to Citibank Europe plc, Dublin, Germany Branch, in December of 2021. This step was taken primarily with the goal of reducing operational complexity by aligning employment and booking units and harmonizing product and human resources for wind-downing and restructuring purposes.

Background Information about the Bank

Furthermore, in December of 2021, the Bank transferred existing company pension obligations, which are owed to company pensioners in the amount of approximately EUR 95 million, to the Metzler Pensionsfonds as part of a change in implementation (*Durchführungswegwechsels*).

2 Economic Report

2.1 Overall Economic Development

General recovery of the global economy in 2021

In 2021, the global economy had generally recovered from the consequences of the COVID pandemic. Nevertheless, its effects continue to shape economic development. In the advanced economies, private consumption picked up significantly beginning in the spring of 2021 as a result of falling new infections and rapid progress in vaccination. However, since the beginning of 2021, increasing supply and capacity bottlenecks have led to disruptions in global supply chains and slowed industrial production or global economic growth in many countries[3]. Nevertheless, growth in the global economy picked up again slightly, particularly in the fourth quarter of 2021[4]. After the sharp slump in 2020, global GDP rose by 5.3% in 2021[5].

While the favorable performance of the German economy was impacted by these factors, the UK economy recovered strongly during the course of 2021. In the United States, the comparatively fewer stringent restrictions imposed as a result of the COVID pandemic and the economic stimulus package adopted in March 2021 helped cause an increase in economic output, which in the spring of 2021 already surpassed the level that existed before the start of the COVID pandemic[6].

The other countries continued to be impacted to varying degrees by the effects of the COVID pandemic in 2021. Given these effects, the International Monetary Fund supported the impacted countries with financial assistance[7].

As a result of the increase in global demand and supply-side bottlenecks, producer and consumer prices have risen sharply.

Development of the financial markets

Based on our findings, the capital markets were largely unaffected by the interest rate turnaround, which became increasingly apparent towards the end of the fiscal year. The international stock markets posted strong price increases in 2021, particularly in light of the solid economic recovery and rising corporate profits. Various risk factors, such as strained global supply chains, dramatic price increases in commodities and intermediate products, and supply shortages in some sectors, led to merely periodic setbacks. A possible end to expansionary monetary policy in the face of higher-than-expected inflation rates weighed on market sentiment, but also only temporarily. Key benchmark indices reached new all-time highs in 2021. The Dow Jones closed the year at 36,338 points, an increase of 18.7%[8]. The MSCI World Index ended around 20% higher at 3,232 points[9]. The DAX, Germany's leading index, and the tech-heavy TecDAX index, both also recorded new highs, climbing 15.8% to 15,885 points and 22.0% to 3,920 points, respectively[10].

Yields on long-term government bonds recorded a slight increase, largely reflecting the development of nominal risk-free interest rates. In the reporting period, the GDP-weighted average yield on ten-year euro area government debt increased by around 41 basis points to 0.49%, and the yield on ten-year German bunds rose by about 38 basis points to 0.04%. Meanwhile, the yield on ten-year government bonds climbed by 35 basis points to 1.77% in the United States and by 50 basis points to 1.26% in the United Kingdom[11].

Following the second wave of COVID infections in 2021, the European Central Bank decided to expand the scope of the Pandemic Emergency Purchase Programme (PEPP) and extend the time horizon for net purchases (*Nettoankäufe*). This action contributed to falling yields on government bonds issued by euro area countries with comparatively low credit ratings. The average yield on corporate bonds in the euro area also decreased further, reaching new lows in January. By contrast, yields on bonds issued by European governments with high credit ratings rose[12].

---

[3] See Deutsche Bundesbank, Annual Report 2021, Early March 2022; p. 16
[4] See Monthly Report of the Deutsche Bundesbank, February 2022, p. 13
[5] See European Central Bank, Business Report, Issue 2/2022, p. 4
[6] See Deutsche Bundesbank, Annual Report 2021, Early March 2022; p. 16
[7] See Deutsche Bundesbank, Annual Report 2021, Early March 2022; p. 16
[8] See Statista Research Department, Publication of 1/19/2022
[9] See Publication of MSCI Inc. Indexes of January 3, 2022
[10] See Statista Internet-Publication January 2022
[11] See also European Central Bank, Business Report, Issue 1/2022, p. 14
[12] See Monthly Report of the Deutsche Bundesbank, February 2022, p. 41

The risks to the growth and inflation outlook have been exacerbated significantly by the military conflict in Eastern Europe. In the Bank's view, the developments in Ukraine and the sanctions already imposed as well as those still possible from the EU and the USA against Russia are also likely to have a negative impact on the economic environment in the EU.

Economic development in Germany

The overall economic situation in Germany in 2021 was once again dominated by the effects of the COVID-19 pandemic. Despite the ongoing pandemic and increasing supply and material bottlenecks, the German economy recovered in almost all sectors of the economy during the second year of the COVID crisis following the slump in 2020.

According to calculations made by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) in 2021 was 2.8% higher than in the previous year[13]. However, this was not enough to make up for the sharp decline in the first COVID year. Compared with 2019, the year before the start of the COVID-19 pandemic, GDP in 2021 was still 2.0% lower. Despite the increase in 2021, economic output has not yet returned to pre-crisis levels in most sectors of the economy. For example, economic output in the manufacturing sector was still 6.0%[14] below the 2019 level.

Despite comparatively high demand in the construction sector, activity in 2021 was characterized by a shortage of labor and a high - albeit easing - shortage of materials. In the industrial production sector, there was a decline in the first three quarters of 2021 due to increasing supply bottlenecks for intermediate products, despite healthy order books, which could not be fully compensated for even in the fourth quarter of 2021.[15]

Other service providers, which include the creative industries as well as sports, culture and entertainment, were particularly hard hit by the effects of the COVID-19 pandemic, reporting a 9.9% decline in price-adjusted gross value added[16].

In the public services, education and health, the decline in economic output from the crisis year 2020 was almost compensated for in 2021. The construction industry and the information and communication sector were able to hold their own during the COVID-19 pandemic and to noticeably increase their economic output compared to 2019[17]. According to preliminary calculations from the Federal Statistical Office, the effects of the COVID-19 pandemic led to a high government-financing deficit of around EUR 154 billion in 2021 (2020: deficit of EUR 145 billion)[18].

Economic development in France, Italy and Spain

In the following CGME location countries, the economic situation generally developed favorably in 2021.

In 2021, **France** reported its strongest economic growth in half a century. The economy picked up by 7.0% last year. Even in the final quarter from October to December, gross domestic product (GDP) rose an unexpectedly strong 0.7% quarter-on-quarter despite the Omicron wave that was building up. Consumer spending in particular boosted growth. In addition, companies supported the economy by restocking their inventories. Due to the COVID pandemic, GDP in France had declined by around 8% in 2020. The French economy made up for this decline. For the coming year, Paris expects a growth rate of 2.4%[19].

In the fourth quarter, **Italy** reported quarter-on-quarter GDP growth of 0.6%. For the full year 2021, the Italian economy thus achieved growth of 6.5% - the highest economic growth in at least 27 years. However, the economic climate in Italy had also deteriorated again recently due to rising COVID case numbers and new restrictions[20].

---

[13] See Monthly Report of the Deutsche Bundesbank for February 2022, p. 49
[14] See Statistisches Bundesamt (Destatis) [German Federal Bureau of Statistics], Press Release January 14, 2022 – 020/22
[15] See Monthly Report of the Deutsche Bundesbank for February 2022, p. 49
[16] See Statistisches Bundesamt (Destatis), Press Release January 14, 2022 – 020/22
[17] See Statistisches Bundesamt (Destatis), *ibid*
[18] See Statistisches Bundesamt (Destatis), *ibid*.
[19] See Handelsblatt, "“*Wirtschaftskrise ausgelöscht”: Frankreich meldet stärkstes Wachstum seit mehr als 50 Jahre*”, Newspaper Article 1/28/2021
[20] See Spiegel „*Eurozone erholt sich, aber Deutschland hinkt hinterher*“, Magazine Article of of 1/31/2022

For 2021, real GDP growth in **Spain**, which was hit hard by the COVID-19 pandemic in the previous year, is expected to be around 5.7% year-on-year. [21] To promote further economic recovery, the reconstruction plan confirmed by the European Union in June 2021 provides for around EUR 140 billion in EU grants. [22] In addition, the economy was supported with direct aid of around EUR 28 billion in 2021. Furthermore, energy prices in Spain jumped in the second half of 2021, leading to individual interruptions in production.

Rising inflation risks

Inflation has risen significantly in recent months and was also higher than expected in January 2022. [23] In light of this development, financial market participants on several occasions revised their inflation expectations upward for the current and coming year for the major currency zones[24]. As a result, the Bank of England raised its base rate twice, while the Federal Reserve announced in January 2022 that it would end net bond purchases in March 2022 and would soon raise its prime rate[25].

The annual increase in consumer prices in OECD - Member States accelerated to 5.8% in November. Energy price inflation reached its highest level of the past four decades. At the same time, inflation excluding energy and food also increased to 3.8% in November from 3.2% in the previous month[26]. Consumer prices in Germany rose by 3.2% on average in 2021 compared with 2020. This was mainly due to high monthly inflation rates in the 2nd half of 2021. In December 2021, the inflation rate - measured as the change in the consumer price index (CPI) compared with the same month a year earlier - was + 5.3%. It had therefore reached its highest level in 2021 at year-end[27].

EURO net exchange rate losses relative to other major foreign currencies

Events on the foreign exchange markets in 2021 were also influenced, among other things, by the persistently high inflation rates worldwide. Overall, since the end of September 2021, the euro has depreciated by 2.1% on a weighted average basis against a basket of currencies of the 19 major trading partners. While the exchange rate loss against the US dollar and the British pound equaled up to 1.8% and 3.0%, respectively, by the end of January 2022, the exchange rate rose by 0.9% against the Japanese yen[28].

2.2 CGME Business Performance

2.2.1 Business development

Despite the effects of the COVID-19 pandemic, CGME‘s overall business performance during the recently completed 2021 fiscal year was still viewed as satisfactory, even though the revised budgeted earnings figures were not fully achieved in the course of 2021. As a result of the expansion of the business model, which was mainly carried out in the previous year, and the related expansion of our portfolio of products and services, the assets and liabilities relating to financial instruments, which were reported under client receivables and liabilities and under the trading portfolio, increased further (as of the reporting date) by approx. EUR 12.0 billion and EUR 10.5 billion, respectively, to around EUR 72.6 billion and EUR 69.7 billion, respectively. As of December 31, 2021, total balance sheet assets equaled EUR 83.9 billion (prior year: EUR 70.3 billion).

With the continued expansion of client business relationships in 2021 and the associated sale of financial instruments and delivery of financial services, the Bank's risk profile also changed in 2021, including as it relates to counterparty risks. As in the previous year, the Bank's equity base was therefore again significantly strengthened in 2021 in order to unconditionally secure liquidity and to meet the regulatory requirements for risk-bearing capacity (capital adequacy). Above all, due to additional capital infusions of EUR 1.4 billion made by the sole shareholder, CGME's balance sheet equity increased to approximately EUR 3.3 billion.

---

[21] See Statistisches Bundesamt (DESTATIS), *Wachstum des Bruttoinlandsprodukts (BIP) in Spanien bis 2026* of January 21, *2022*
[22] See Internet-Publication Germany Trade & Invest of 12/13/2021
[23] See European Central Bank, Business Report, Issue 1/2022, p. 3
[24] See Monthly Report of the Deutsche Bundesbank for February 2022, p. 40
[25] See Monthly Report of the Deutsche Bundesbank for February 2022, p. 40
[26] See European Central Bank, Business Report, Issue 1/2022, p. 9
[27] See Statistisches Bundesamt (DESTATIS), Press Release of January 19, 2022
[28] See Monthly Report of the Deutsche Bundesbank for February 2022, p. 41

The **core capital ratio** (CET 1 ratio) of 16.2% planned for the past fiscal year was significantly exceeded at the end of the fiscal year with a value of 19.4%. The total capital ratio was once again 19.4% at the end of 2021.

The **development in earnings**, which had stabilized at the level of the previous year with net income of EUR 16.9 million (prior year: approx. EUR 16.9 million), can be attributed to, among other things, the exceptionally gratifying fee and commission net income generated in the Mergers and Acquisition product segment, whereas the business development of the “Markets” business division in the most recently completed fiscal year 2021 remained strongly impacted by the effects of the COVID-19 pandemic and by the unchanged low interest rate environment. Nonetheless, the earnings situation is considered satisfactory, particularly against in light of the associated market-induced volatility of the business.

Our financial performance indicator "**Operating Efficiency**" which was around 91% in 2020, had been targeted at 80% in 2021. Due to the comparatively high increase in administrative expenses, “Operating Efficiency” in 2021 came in at approx. 97%.

2.2.2 Markets (MSS)

In addition to the unchanged low interest rate environment, the business performance of the "Markets" business division in the most recently completed fiscal year 2021 continued to be strongly influenced by the effects of the COVID-19 pandemic. During the year, there were repeated fluctuations in the markets that were driven by new developments in global infection trends, by the emergence of new virus variants, and by vaccine development and distribution. Varying degrees of opening strategies impacted economic events and consumer behavior in the different countries in which CGME operates. The year 2021 was also the first year following the completion of the United Kingdom's exit from the European Union (BREXIT). Overall, it was observed that the BREXIT did not affect the functioning of the markets to any particular extent, as market participants had already made extensive preparations for this situation.

Clients increasingly approached CGME to position themselves appropriately in the given market environment in line with their economic objectives. The tensions in market liquidity, which had still been encountered in 2020 as a result of the COVID-19 pandemic outbreak, did not recur in 2021. By contrast, the positive earnings effect resulting from this constellation in 2020 was not repeated in the most recently completed year 2021. As a result, there was slightly weaker business growth in this business area compared to the previous year, but it did mean a significant increase in earnings compared to 2019.

For the product segments of the "Markets" business division, encouraging results were achieved at all CGME locations in 2021 compared to the previous year.

In the **main branch in Frankfurt am Main**, only a slight decrease in earnings of approximately 5% was reported. Business in equities and equity derivatives showed particular strength, while the bond and foreign exchange business posted a weaker performance. The survey rankings in the usual market surveys were maintained across the board.

The **Milan branch** focuses on marketing equity and fixed income products in both securities and derivatives. Compared with the previous year, 2021 closed with a positive performance, whereby business development particularly in the first and third quarters were successful. In the third quarter and after an extended period of time, branch staff were once again able to meet with clients in person. In the fourth quarter, a number of strategic transactions were closed by the “Solutions” unit. In the wake of concerns about higher inflation rates in the medium term, discussions with clients about hedging strategies against the effects of this trend were intensified.

The activities at the **Paris location** were continuously expanded throughout 2021, as more business from Citigroup's regional center in London was transferred. In light of the expansion of trading in interest rate products and equities or spot products and derivatives, the hiring of additional staff began in 2021. The overall performance of this business area proved to encouraging in 2021 due to the positive macro environment and a gain in market share. The distribution business in interest rate products was down slightly, while results in "credit products and special solutions" were flat.

In the course of 2021, staff capacities in the Paris branch were further expanded in the business areas of "Refinancing", "Trading in Interest Rate Products and European Government Bonds", "Hedge Funds" and "Structuring of Interest Rate Products". The expansion of the Paris location is consistent with the strategy deployed by competitors who are also establishing their Continental European sales and trading centers in this city.

Earnings at the **Madrid branch** were only slightly negative in the most recently completed fiscal year compared with the year before. This result was mainly due to business transactions in connection with fixed-income securities and "special financing solutions" as well as the comparatively high increase in activities with equity derivatives. In addition, the volume of business in connection with "financings and liquidity management as well as diversified investment products for corporate clients" was expanded.

As in all CGME business units, extensive organizational measures were undertaken in the “Markets” segment to protect employees at the individual locations from the COVID-19 pandemic. By switching to the backup location in Frankfurt am Main and the technical facilities of employees in home offices, it continued to be possible to operate efficiently and at all times in compliance with all regulatory requirements. There were no declines in efficiency or earnings across any product types or product lines. During the course of 2021, a partial return of employees to offices in accordance with all rules and regulations promulgated by the federal government to contain the COVID-19 pandemic was implemented. The return of the employees took place on a voluntary basis, as a home office solution remained an option and could be used at any time under strict hygiene conditions based on vaccination and convalescent status and subject to an intensive testing regime.

2.2.3 Banking, Capital Markets & Advisory (BCMA)

Despite the ongoing COVID-19 pandemic and the global macroeconomic tensions related thereto, the “BCMA segment” reported an overall satisfactory fiscal year 2021.

Compared with the previous year, Citigroup's market position in the episodic business, in our view and as measured by the Dealogic Ranking (Citi Internal View), improved above all in Spain and in Germany. Across the episodic products, our activities in Spain garnered the highest market share, ranking first (previous year: third), while in Germany we were able to further improve our market position from 11th place in the previous year to 6th place. [29] With regard to this encouraging development, fee and commission income rose from approx. EUR 171 million in the previous year to a total of EUR 392 million in 2021. This income is distributed over the following main products and product segments:

[29] See Dealogic (Citi Internal View) as of December 31, 2021 for Germany and Spain.

Product/Product segment	2021 (EUR million)	2020 (EUR million)	Change (EUR million)
Credit Portfolio Management (CPM)	9.6	10.2	-0.6
Equity Capital Markets (ECM)	120.8	12.5	108.3
Debt Capital Markets (DCM)	52.7	35.8	16.8
Mergers & Acquisitions (M&A)	207.4	112.5	94.9
Other	1.7	0.0	1.7
Total	**392.1**	**171.0**	**221.1**

The fee and commission income of EUR 9.6 million generated in the "**CPM**" product segment decreased only slightly, which was in line with expectations compared to the previous year also in regard to stable demand for loans and stagnant margins.

The market activities in the "**ECM**" product segment were able to be significantly expanded in 2021, thereby resulting in commission and fee income totaling approx. EUR 120.8 million (2020: EUR 12.5 million), which amount exceeded CGME's expectations. Accordingly, CGME was able to partially improve its market position in this product segment in 2021. While the top 3 position was successfully maintained in France and Italy, CGME improved its position in Germany from 10th to 5th place and in Spain from 5th to 4th place compared to the previous year.[30]

Fiscal year 2021 proved to be satisfactory with regard to the "**DCM**" product segment and met our expectations despite strong competition. The market volume in the "DCM" or "Investment Grade Debt" (IGD) product segments remained at the prior-year level. In 2021, issuers again benefited from good market access and continued to take advantage of the relatively low interest rate environment for refinancing. In the "IGD" segment in particular, the market position in Germany, previously judged to be strong, was able to claim a second-place ranking.[31]

CGME's fee and commission income in the "**M&A**" area grew quite favorably in 2021. Like the "ECM" product segment, CGME was able to benefit from a positive market environment and increase fee and commission income from EUR 112.5 million in 2020 to EUR 207.4 million in 2021. Successfully closed SPAC (Special Purpose Acquisition Company) transactions influenced the result in favor of CGME in the "M&A" area. These positive developments are also reflected in an improved market ranking, especially for Germany (3rd place) and Spain (1st place).[32]

2.3 Assets, Financial Condition and Results of Operation

2.3.1 Results of operation

The result in the fiscal year 2021 developed as follows compared to the prior year

[30] See Dealogic (Citi Internal View) as of December 31, 2021 for France, Italy and Spain.
[31] See Dealogic (Citi Internal View) as of December 31, 2021 for Germany.
[32] See Dealogic (Citi Internal View) as of December 31, 2021 for Germany and Spain.

	Jan 1 - Dec 31, 2021 (EUR million)	Jan 1 - Dec 31, 2020 (EUR million)	Change (EUR million)
Net interest income	- 38.2	- 37.5	- 0.7
Current income from equity investments	0.4	0.2	0.2
Net commission income	392.5	222.5	170.0
Income from trading operations	96.5	69.9	26.7
Other operating income	54.4	99.3	- 44.9
Administrative expenses	- 451.9	- 292.8	- 159.1
Other operating expenses	- 24.9	- 22.9	- 2.0
Result before taxes	28.7	38.5	- 9.9
Income taxes	11.8	21.7	- 9.9
Annual net profit	**16.9**	**16.9**	**+/- 0.0**

Negative interest income increased

Compared to the prior year, negative **interest income** further deteriorated by EUR 0.7 million to negative EUR 38.2 million. In this regard, interest income climbed from EUR 8.9 million to EUR 87.3 million, while interest expenses increased from approx. EUR 35.0 million to EUR 106.7 million. One of the reasons for the increase in the interest income components is the comparatively high increase in the volume of margins and collateral that were provided as part of broker/dealer business during the year under review. This also led to higher liquidity levels at domestic and foreign credit institutions as a result of the comparatively large increase in repo transactions which, in an unchanged low-interest-rate environment with negative interest rates, added approximately EUR 6.3 million to the negative interest results (prior year: EUR 12.4 million).

Current income from equity investments

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

Commission income greatly improved

Net commission income increased in 2021 by EUR 170.0 million over the prior year to EUR 392.5 million, with commission revenues totaling EUR 720.9 million (2020: EUR 265.0 million), while the increase of commission expenses over the prior year rose by around EUR 285.9 million to EUR 328.4 million was comparatively lower.

Approximately 55% of **commission income**, or EUR 392.1 million, was attributable to the "**BCMA**" Division (2020: EUR 171.0 million, or approximately 65%) while, as in the prior year, a significant share of such income, approximately EUR 207.4 million, was generated by the "Mergers & Acquisitions" Division (2020: EUR 112.5 million). The "Equity Capital Markets" product segment also reported a year-on-year increase in commissions of EUR 108.3 million to a total of EUR 210.8 million.

The "**Markets**" business division generated commission income of approximately EUR 328.8 million (2020: EUR 93.9 million).

Of the **commission expenses** (EUR 328.4 million; 2020: EUR 42.5 million), a total of approximately EUR 320.3 million (prior year: EUR 2.6 million) was attributable to intra-group commission payments for the "Markets" business division.

Net trading income increased

The positive **net income from financial trading operations** in the amount of EUR 96.5 million (2020: EUR 69.9 million) resulted almost exclusively from trading in equities, index and futures products as well as dividends from stock holdings, whereby income in the amount of EUR 715.1 million (2020: EUR 1,428.6 million) is juxtaposed with expenses totaling EUR 618.6 million (2020: EUR 1,358.9 million). Overall trading results improved again over the previous year, with a sharp decline in trading income and expenses attributable to a temporary significant decrease in trading activity as a consequence of the COVID-19 pandemic.

Specifically, the financial instruments achieved the following contributions to 2021 results:

	Equities (EUR million)	Bonds (EUR million)	Futures (EUR million)	Options (EUR million)	Currencies (EUR million)	Total (EUR million)
Income	273.5	50.7	6.7	340.4	43.8	715.1
Expenses	0.6	40.7	-	453.4	123.9	618.6
Result	**272.9**	**10.0**	**6.7**	**- 113.0**	**- 80.1**	**96.5**

In valuing the trading portfolio as of December 31, 2021, a **risk discount** (value-at-risk) was recognized in the amount of EUR 16.6 million (2020: EUR 7.4 million). Due to negative economic effects and uncertainties among capital-market participants as a result of the COVID-19 pandemic, price and interest-rate volatility for the respective financial instruments in the trading portfolio were relatively high during fiscal year 2021. Accordingly, despite the moderate increase in the volume compared to the prior year, net trading income in 2021 was charged with an additional valuation discount of EUR 9.2 million recognized in profit or loss.

Other operating income rose

Other operating income in the amount of EUR 54.4 million (prior year: EUR 99.3 million) consisted primarily of income that was generated from the pass-through of expenses of EUR 25.4 million (prior year: EUR 63.6 million) to the sole shareholder and that comprise mainly transaction and stock-exchange fees. This item also includes income from charges passed on to other affiliated enterprises (EUR 24.7 million; prior year: EUR 14.3 million) which, among other things, includes expenses incurred in connection with the business activities of the branches in France, Italy and Spain.

Increase of administrative expenses

Compared to the previous year, **administrative expenses** rose by EUR 159.1 million to a total of EUR 451.9 million. The increase in **personnel expenses** by approximately EUR 50.2 million to EUR 220.2 million was triggered primarily by an increase in staffing and by salary raises and adjusted bonus payments.

The increase in **other administrative expenses** by EUR 109.0 million to EUR 231.8 million is mainly attributable to the higher expenses associated with business expansion in 2021, including costs for IT services and consulting services. In view of the continued expansion of trading volumes in 2021 compared with 2020, the stock exchange fees rose significantly year-on-year by EUR 16.8 million to EUR 44.2 million, transaction fees increased by EUR 10.2 million to EUR 18.9 million, and custody fees climbed by EUR 23.1 million to EUR 36.9 million

Other expenses climbed

Other operating expenses in the amount of EUR 24.9 million (2020: EUR 22.9 million) can be ascribed, *inter alia*, to depreciation, amortization and impairment write-downs on intangible assets and tangible assets (EUR 10.1 million; prior year: EUR 10.1 million), which includes scheduled amortization totaling EUR 9.1 million applied to the goodwill identified in connection with the integration of the branches as consideration for the client relationships acquired.

Other operating expenses in the amount of EUR 14.8 million (prior year: EUR 12.8 million) relate almost exclusively to net expenses in connection with accrued interest on the pension reserves and from the revaluation of the plan assets. The increase of approx. EUR 2.0 million is mainly due to the net expense arising from the transfer of personnel from CGME to CEP Frankfurt based on the measurement of the transferred pension obligations under U.S. GAAP and the accounting rules of the German Commercial Code.

2.3.2 Financial condition

CGME refinances itself primarily within the Citigroup Group and can, if necessary, access a credit line of USD 1,800 million.

Cash and other financial assets are exclusively short-term and mid-term.

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

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

As of December 31, 2021, the Tier 1 common capital ratio and the total capital ratio of CGME were each 19.43% (December 31, 2020: 21.98%). Thus, CGME continues to command a strong equity base.

Otherwise, we refer to the cash flow statement for fiscal year 2021 as shown the notes.

2.3.3 Assets

The **CGME assets** as of the balance sheet date (December 31, 2021) developed as follows compared to the previous year balance sheet:

Assets	Dec 31, 2021 (EUR million)	Dec 31, 2020 (EUR million)	Change (EUR million)
Receivables from banks	1,882.9	1,679.1	203.8
Receivables from clients	24,800.6	13,783.8	11,016.8
Trading portfolio assets	47,750.1	46,751.2	998.9
Equity investments	1.1	1.1	0.0
Trust assets	338.0	315.6	22.4
Intangible assets	65.3	74.4	- 9.1
Tangible assets	8.5	2.6	5.9
Other assets	9,030.7	7,689.1	1,341.6
Prepaid and deferred items	0.8	1.1	- 0.3
Total	**83,878.0**	**70,298.0**	**13,580.0**

Liabilities and equity capital	Dec 31, 2021 (EUR million)	Dec 31, 2020 (EUR million)	Change (EUR million)
Liabilities owed to banks	1,826.0	235.9	1,590.1
Liabilities owed to clients	21,941.1	12,628.5	9,312.6
Trading portfolio liabilities	47,725.0	46,503.0	1,222.1
Trust liabilities	338.0	315.6	22.4
Other liabilities	8,582.3	8,619.3	- 37.0
Accruals	180.9	145.9	35.0
Funds for general bank risks	28.3	28.3	0.0
Equity capital	3,256.4	1,821.5	1,434.9
Total	**83,878.0**	**70,298.0**	**13,580.0**

In light of BREXIT and the restructuring of the business activities that were therefore also extended in 2021 and the related continued expansion and refocus of CGME as a CRR credit institution, the assets as of December 31, 2021 were once again characterized by above-average growth compared to the prior year. The business model associated with the operations of a CRR credit institution includes mostly the service business with clients as well as the trading business with financial instruments Accordingly, trading portfolio assets and liabilities have continued to increase at the level of the previous year, amounting to EUR 47.8 billion and EUR 47.7 billion, respectively, as of December 31, 2021. These items make up approximately 60% of the balance sheet total. The financial instruments are primarily OTC interest-rate options denominated in euro and foreign currencies as well as equity warrants and index warrants issued by the Bank itself.

As of December 31, 2021, the **trading portfolios** compared to the prior year consist of the following:

Financial instruments	Trading Portfolio Assets		Trading Portfolio Liabilities	
	Dec 31, 2021 (EUR million)	Dec 31, 2020 (EUR million)	Dec 31, 2021 (EUR million)	Dec 31, 2020 (EUR million)
Derivative financial instruments	**46,223.2**	**46,014.5**	**46,432.3**	**46,045.0**
of which:				
FX-induced trades	*3,835.3*	*2,762.0*	*3,833.8*	*2,763.5*
Own issue equity warrants	*7,808.4*	*4,820.1*	*8,473.1*	*5,223.1*
OTC stock and index options	*1,009.1*	*517.6*	*1,001.1*	*503.8*
Own issue index warrants	*3,428.6*	*1,680.0*	*3,487.0*	*1,715.9*
Exchange-traded equities and index option transactions	*481.2*	*343.8*	*21.3*	*20.0*
OTC interest rate options	*27,998.2*	*35,657.3*	*27,949.5*	*35,582.6*
Own issue commodities-warrants	*137.8*	*58.4*	*142.0*	*60.9*
OTC Commodities- options	*1,524.6*	*175.3*	*1,524.5*	*175.3*
Bonds and other fixed interest securities	**331.8**	**249.9**	**1,147.1**	**382.6**
Equities and other variable securities	**1,211.7**	**494.2**	**143.4**	**73.4**
Subtotal	**47,766.7**	**46,758.6**	**47,722.8**	**46,501.0**
Market Value-Adjustment	**-**	**-**	**2.3**	**2.0**
Value-at-Risk	- **16.6**	- **7.4**	**-**	**-**
Total	**47,750.1**	**46,751.2**	**47,725.1**	**46,503.0**

OTC interest-rate options constitute the majority of the trading portfolios, making up EUR 28.0 billion or approx. 60% of the total assets and EUR 28.0 million or approx. 59% of the total liabilities.

In connection with valuing the trading portfolio, a **discount** (Value-at-Risk or "VaR") was applied in the amount of EUR 16.6 million (prior year: EUR 7.4 million) as of December 31, 2021.

Approximately 30% of the balance sheet total as of the end of fiscal year 2021 – namely, EUR 24.801 million (prior year: EUR 13,784 million) - is attributable to short-term **receivables from clients**, of which approximately EUR 7,301 million (prior year: EUR 7,286 million) is ascribed to the broker-dealer business that CGME had acquired in its own name and for its own account and that it clears and settles in connection with back-to-back transactions. **Liabilities owed to clients** increased commensurately by EUR 9,313 million to EUR 21,941 million as of December 31, 2021.

Furthermore, as of December 31, 2021, a total of approx. EUR 14,372 million (prior year: approx. EUR 4,513 million) relates to short-term receivables generated from **securities repurchasing transactions** that were executed for liquidity management purposes (reverse repo transactions).

A significant component of the service business relates to the trading in derivative financial instruments, which the Bank executes in its own name but for the account of its clients (the so-called "**FCX Business**", which stands for "Futures, Clearing and Collateral Services"). As part of the process for settling transactions and to secure the trading in futures, the clients are required to provide collateral, which is collected by CGME and forwarded directly to the clearing houses that are contracted to handle the trade settlement. The contractual arrangements that were thereby made stipulate a certain segregation of client assets from the CGME assets in an effort to specifically shield client assets from any third-party enforcement action that could be initiated in the event that the "asset-managing" CGME becomes the subject of an insolvency proceeding. The client assets are therefore held in trust. Accordingly, as of the end of fiscal year 2021, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 338 million (prior year: EUR 316 million).

Receivables from banks (approx. EUR 1,883 million; prior year: EUR 1,679 million) relate primarily to receivables due upon demand (EUR 933 million; prior year: EUR 1,131 million) in connection with the broker dealer business and to receivables due upon demand from affiliated enterprises (approx. EUR 780 million; prior year: EUR 430 million).

As in the prior year, **intangible assets** (EUR 65 million; prior year: EUR 74 million) consist almost exclusively of goodwill (EUR 65 million; prior year: EUR 74 million), which reflects in each case the client relationships that existed with the branches in Paris, Milan and Madrid and that CGME acquired at the beginning of 2019 as part of a capital increase in exchange for an in-kind capital contribution. Individual goodwill is being amortized on a scheduled basis over an average useful life of 10 years.

Compared with December 31, 2020, **other assets** increased by approximately EUR 1,342 million to a total of approximately EUR 9,031 million. The main cause for this development was the continued expansion of the CGME broker-dealer business that was acquired in the recently completed fiscal year and the increase in the volume of collateral required in this connection (OTC transactions) and the initial and variation margins. As of December 31, 2021, the volume totaled approximately EUR 8,924 million (prior year: approximately EUR 7,634 million). In addition, this balance sheet item includes, *inter alia*, turnover and investment income withholding tax refunds totaling EUR 45 million (prior year: EUR 19 million).

Other liabilities (EUR 8,582 million; prior year: EUR 8,619 million) relate primarily to initial or variation margins received (EUR 8,541 million; prior year: EUR 8,604 million) in connection with the broker-dealer business.

Of the **accruals** totaling EUR 181 million (prior year: EUR 146 million), **provisions for pensions and similar obligations** account for a total of EUR 30 million (prior year: EUR 21 million). Total obligations of approximately EUR 198 million (prior year: approx. EUR 285 million) are secured under contractual trust agreements by protected plan assets made available and administered in trust. The fair value of the plan assets totaled EUR 168 million as of December 31, 2021 (prior year: EUR 264 million) and was set off against the settlement amount of the obligations as of the balance sheet date.

In December of 2021, the pension obligations owed to the beneficiaries and having a settlement amount of approximately EUR 95 million were transferred to the Metzler Pensionsfonds as part of a change in the implementation method. From the related plan assets, investment fund shares of approximately EUR 95 million were sold and deposited into the Metzler Pensionsfonds. In accordance with Article 28 of the Introductory Act to the German Commercial Code (EGHGB), no provision or accrual was recognized for these indirect obligations arising from commitments for current pensions.

Of the **other provisions** in the amount of EUR 132 million (prior year: EUR 103 million), a total of approximately EUR 92 million (prior year: approximately EUR 82 million) relates mainly to the bonus payments owed to employees.

Provisions for taxes (EUR 19 million; prior year: EUR 22 million) relate mainly to domestic and foreign income tax payments that are expected to be payable in respect of the past fiscal year.

As of December 31, 2021, the **equity capital** shown on the CGME balance sheet compared to the balance sheet date of the recently completed fiscal year increased by a total of EUR 1,434 million to EUR 3,256 million. This increase can be attributed mostly to additional payments that the sole shareholder made into the equity capital account in the amount of approximately EUR 1,418 million pursuant to § 272 (2) no. 4 HGB.

In an effort to further strengthen the equity capital base, the Executive Board is recommending that the annual surplus generated in the recently completed fiscal year and totaling approximately EUR 16.9 million be deposited into other earnings reserves.

Overall, we believe that the net assets as of December 31, 2021 are orderly and sound (*sind geordnet*), also in light of the good equity capital base.

3 Outlook and Opportunities

Outlook and Opportunities

3.1 Outlook and Opportunities of the Business Divisions

3.1.1 General economic development

In the coming fiscal year, the performance of the economic, the financial and especially the capital markets will be exposed to various risks and dangers. In our estimation, the global economic recovery of 2021 is therefore expected to proceed at a slower pace in fiscal year 2022. The outlook remains subject to a high degree of uncertainty, however. The key reasons for concern are the impact and economic repercussions of the Ukraine conflict on the global economy as a whole and the continued development of the COVID 19 pandemic. New virus variants could emerge before basic vaccination coverage is achieved on a global scale, or the efficacy of the developed vaccines could wane faster than expected.

The Ukraine conflict could have an impact on the European financial system and thus also on the German financial system. This could affect, above all, the continued sharp rise in gas and oil prices, which will cause an increase in production costs and consumer prices. It may be assumed that the announcements by companies to raise prices will ultimately lead to commensurate wage increases. The resulting upward wage-price spiral will likely prompt the ECB to take countermeasures. If the pressure caused by supply-chain bottlenecks and high energy prices eases, inflation could fall to 2.1% in the final quarter of 2022 and drop below the European Central Bank's 2% target in 2023. The average annual inflation rate in the euro zone could possibly climb from 2.6% in 2021 (2.9% in the EU) to 3.5% in 2022 (3.9% in the EU) and fall back to 1.7% in 2023 (1.9% to 2.0% in the EU)[33].

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

In the short term, growth in the EURO economic area could be supported by robust domestic demand in the course of 2022 and could recover strongly thereafter. In addition, with the announced lifting of the COVID restrictions, we expect a recovery in the sectors of the economy that have so far been hardest hit by the effects of the pandemic. This development can also be expected to ease the supply bottlenecks, which have been propagating in recent months. Inasmuch as the situation on the labor market is currently improving even more, household incomes and consumer spending could rise[34]. Nevertheless, we expect the labor market situation to deteriorate again in the event of a more severe economic downturn, particularly as a result of the impact from the Ukraine conflict.

Overall, the direct financial risks to the German financial system tied to Russia are currently still viewed as manageable (*überschaubar*)[35]. The volume of direct claims held against Russian debtors is assessed as limited. In addition, the Ukraine conflict could, however, have significant indirect consequences for the German economy and the international capital markets, among other things due to the economic sanctions imposed by Western countries and the restrictions on trade and payments with Russia, the effects of which are highly uncertain at the moment[36].

We continue to view the current low interest rate environment as posing a high risk for the development of the financial and capital markets. The ECB indicated in February 2022, however, that due to the increase in the inflation rate in recent months, there is a certain “upside risk” to the inflation outlook, particularly in the short term, and that an increase in the prime rate is therefore no longer unlikely[37].

[33] See the “Winter 2022 Economic Forecast” issued by the EU Commission and dated 2/1/2022, p. 1; see also Press Release issued by the German economic think tank, *Weltwirtschaftsinstitut Hamburg*, and entitled “*Aktuelle Konjunturprognose*” (“Updated Economic Forecast”) dated March 2, 2022
[34] See European Central Bank, Economic Report, Issue 1/2022, p. 4
[35] See Deutsche Bundesbank, Business Report (*Geschäftsbericht*) 2021 from early March 2022, p. 35
[36] See Deutsche Bundesbank, Business Report 2021 from early March 2022, p. 35
[37] See Monthly Report of Deutsche Bundesbank for February 2022, p. 31

Outlook and Opportunities

3.1.2 Outlook and opportunities for the business

Economic and organizational parameters

According to our expectations, CGME's business performance in 2022 and the related forecast will be influenced by the effects of the Ukraine crisis and the consequences of the COVID-19 pandemic. Nevertheless, we expect that the high demand for (derivative) financial instruments, also as a result of the COVID 19 pandemic, will continue in 2022. Based on the business performance to date in the first few months of fiscal 2022, demand for products to hedge interest rate and market price or inflation risks has also increased due to the sharp rise in energy prices.

In continuing the ongoing build-out of CGME's business model as a "financial services institution" or "CRR credit institution", particularly in the past fiscal year 2021, the primary focus of business activities in 2022 will once again be to offer equity, fixed income and FX products, which are tailored to the clients' needs, as spot or derivatives transactions.

Given the total balance sheet assets, which have since increased to more than EUR 80 billion, CGME now meets the qualification criteria as a CRR credit institution pursuant to Art. 4 No. 1, 1 (b) of the CRR in conjunction with § 32 (1) sentence 3 of the KWG and is therefore subject to the oversight of the European Central Bank (ECB). A corresponding application for a license has since been submitted to the ECB. The related necessary adjustments to the organizational and operational processes within CGME, which had been already launched in 2020, were continuously advanced during the past fiscal year.

CGME also plans in 2022 to expand its risk management and core compliance activities in order to take sufficient account of the increasing substantive, statutory and regulatory requirements for an appropriate compliance system. This applies to, among other things, outsourced compliance work, selected trading activities, and new or expanded business areas, such as those in the “BCMA” and “Markets” business segments.

Economic forecasts and financial performance indicators

Based on the previous budget for 2022, **income** totaling approximately EUR 404 million and **expenses** in the amount of approximately EUR 398 million are projected to yield a small positive EBT of approximately EUR 1 million. The budgeted figures are predicated, among other things, on assumptions and expectations that also factor in the effects of a possible continuation of the COVID pandemic and the Ukraine conflict. Particularly with regard to CGME's business model, which is influenced in part by highly volatile factors in the financial markets over which the Bank has no basic influence, there could also be, however, significant deviations from the business and earnings forecasts, which are therefore associated with individual uncertainties.

The expansion of business activities in the “Markets” business segment specifically with regard to the products and product segments “Equity Cash”, “Futures”, “G10 Rates” and “Global Markets Finance” are expected once again to be key growth indicators in 2022. In this regard, it may be assumed that interest expenses for collateral, which is held for third-party clients for OTC and exchange-traded derivatives, should in part offset the positive earnings development.

The “BCMA” business segment is likewise expected to produce favorable business development, specifically in “ECM” and “M&A” area after the COVID-19 pandemic effects ebb, with the earnings numbers coming at the same level as last year.

For the financial performance indicator, “**Operating Efficiency**”, the goal is 99%. In the next two years, the goal is to further improve EBT up to EUR 37 million and the “Operating Efficiency” up to 91%.

Outlook and Opportunities

In the future, the quantitative liquidity requirements under the CRR, including the liquidity ratios "**Liquidity Coverage Ratio (LCR)**" and "**Net Stable Funding Ratio (NSFR)**", will be decisive for the liquidity situation of CGME. The foundation here is, among other things, the defined internal stress scenarios, for example on the basis of a 30-day time horizon, in order to have a sufficient liquidity buffer over this period in accordance with the requirements of the LCR. In consideration of its business model, CGME will in the future continue to hold highly liquid assets that are generally earmarked. In addition, future liquidity levels will also be determined by the initial margins and variation margins paid or payable under certain financial instruments.

Based on our current planning in 2022, the **core capital ratio** (Common Equity Tier 1 (CET1) Ratio) is expected to be 17.7%.

With the continued expansion of the business, the **staff numbers** are projected to increase to approx. 560 employees in 2022, with employees expected to be hired at, *inter alia*, the head office in Frankfurt am Main and at the Paris branch office location.

3.2 General Statement about Anticipated Performance

Since the beginning of 2022, the Ukraine crisis and the related sanctions imposed by the Western industrialized nations have led to substantial market volatility. Further developments are fraught with a high degree of uncertainty. In particular, due to the current rise in energy prices and the concomitant increase in inflation rates, it can be expected that the Federal Reserve Bank and the European Central Bank will adjust their previous low interest rate policies and reduce their bond-buying programs. This could lead to an appreciable increase in interest rates with possible adverse effects on the stock, bond and real estate markets.

In the "**Markets**" business division, therefore, we are already seeing an elevated client interest in hedging products against rising interest rates and higher inflation rates. In the "Corporates" segment, there is now demand for products to invest excess liquidity at comparatively low margins.

Given the increasing orientation of public and private investors towards environmental, climate and social aspects, there is growing interest in ESG financial products on the capital markets. CGME has in this area set itself global growth targets, which are supposed to be implemented in equal measure through, *inter alia*, its own investments and the introduction of new financial products on the capital market.

On the client side, we anticipate again in 2022 another increase in business volume caused by the transfer of existing derivatives portfolios from other UK-based Citigroup companies.

Once again in 2022 and in light of our clients' business situation, the "Markets" business segment is seeking to offer our clients a package of products and services tailored to their needs and to thereby leverage the global strengths of the Citigroup Group. In this regard, the digitization of processes and the efficiency gains associated therewith, but also narrower margins, may also have a particular impact. Overall, our current planning for 2022 assumes income volumes of approx. EUR 249 million, which is around EUR 26 million lower than was forecasted in 2021.

As in the prior year, the "**BCMA**" business division in 2022 will place greater emphasis in its client advisory operation on both nurturing existing clientele and extending its market shares in the "non-coverage" segment. On the sector side, the focus will remain on clients in the industrial and technology sectors and on private equity firms.

Against the backdrop of very high market activity in the "Advisory" and "Capital Markets" divisions in 2021 and the increasing uncertainties - caused by geopolitical tensions such as the Ukraine crisis and heightened inflation concerns - we expect market volumes to stagnate slightly in 2022. In the "DCM" subsegment, we anticipate market activities overall to remain at 2021 levels or possibly to decline only slightly, based on the assumption that, in our opinion, the COVID-19 pandemic will not trigger any further wave of financing. Overall, we expect earnings in the "BCMA" division in 2022 to be slightly higher than in the previous year, coming in at approx. EUR 149 million.

Outlook and Opportunities

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

4 Risk Report

Risk Report

4.1 General Principal of our Risk Management

The focus of our business operation as CRR credit institution, which has a central core competency in this area of business, is the ability to correctly assess and purposefully manage the risks that are related thereto. The management of the risks in all relevant aspects is therefore an essential factor for the sustained business success of our bank. This requires an implemented, suitable risk management system that is continually updated to accord with, among other things, the extensive regulatory requirements in risk management. In the recently completed fiscal year 2021, we therefore further upgraded our procedure for identifying, measuring, limiting and managing the risks related to our business operation. In this connection and among other measures, the implementation of the guidelines of the Federal Financial Supervisory Authority ("BaFin") regarding the Internal Capital Adequacy Assessment Processes (ICAAP) – Update, was further substantiated. Moreover, the process for identifying risk and assessing significant risks was updated, and the global approach was adjusted inasmuch as this was possible in accordance with local regulatory requirements and the CGME-specific business model. Furthermore, quantification methods for calculating the economic capital requirement, the adverse stress tests and other calculation methods have been enhanced and subjected to global model validation to ensure the appropriateness of the methods. While the use of the IMM Model to quantify regulatory capital requirements for credit risk has been approved by the supervisor, the Bank is currently still in the approval process for the IMA Model to calculate capital requirements resulting from market price risks. Further improvements in the approval processes (the approval of new products in accordance with AT 8 of MaRisk is based on a new database solution) and the governance structure (adjustments to the reporting system and the introduction of a monthly calculation of risk-bearing capacity) round out the most significant improvements in the Bank's management.

4.2 Organization of the Risk Management

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

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

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

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

In connection with the risk management, the following **committees** have been formed (among others):

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

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

The reporting is based on internal rules that were enacted in accordance with local regulatory requirements on the reporting systems of a bank (see Special Part 3 of the August 16, 2021 version of the MaRisk).

4.3 Risk Definition and Risk Strategy

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

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

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

The **RAS** stipulates the so-called "risk appetite" as the maximum risk that CGME is willing and able to assume in the pursuit of its business objectives without exposing itself to existential risks. It also includes the establishment of a so-called "management buffer" through which the Executive Board considers strategic planning risks and planning uncertainties. The main idea here is to ensure reasonable liquidity and equity capital resources in the normative and economic perspective of CGME. The RAS should therefore be seen as an integral component of CGME's strategic process that is intended to support the Executive Board in guiding CGME's risk appetite to ensure that CGME is protected against taking on an excessive risk appetite.

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

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

The overall risk strategy and the individual strategies developed therefrom for the significant types of risk are reviewed at least once each year. Each member of the Executive Board may request a review on an *ad hoc* basis. Furthermore, the capital adequacy is also verified at least once each year. This verification also includes a review of the suitability of the risk measuring methods, the processes and the individual risk limits (suitability of the capital buffer as set by the Executive Board). Calculations about risk-bearing capacity during the course of the year are performed on a monthly basis. The results are an integral part of the monthly reporting to the Executive Board. On a quarterly basis, the Bank also calculates a so-called "ICAAP variance analysis", which ensures a reconciliation with the annual ICAAP approved by the Executive Board.

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

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

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

Economic capital planning

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

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

CGME has identified:

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

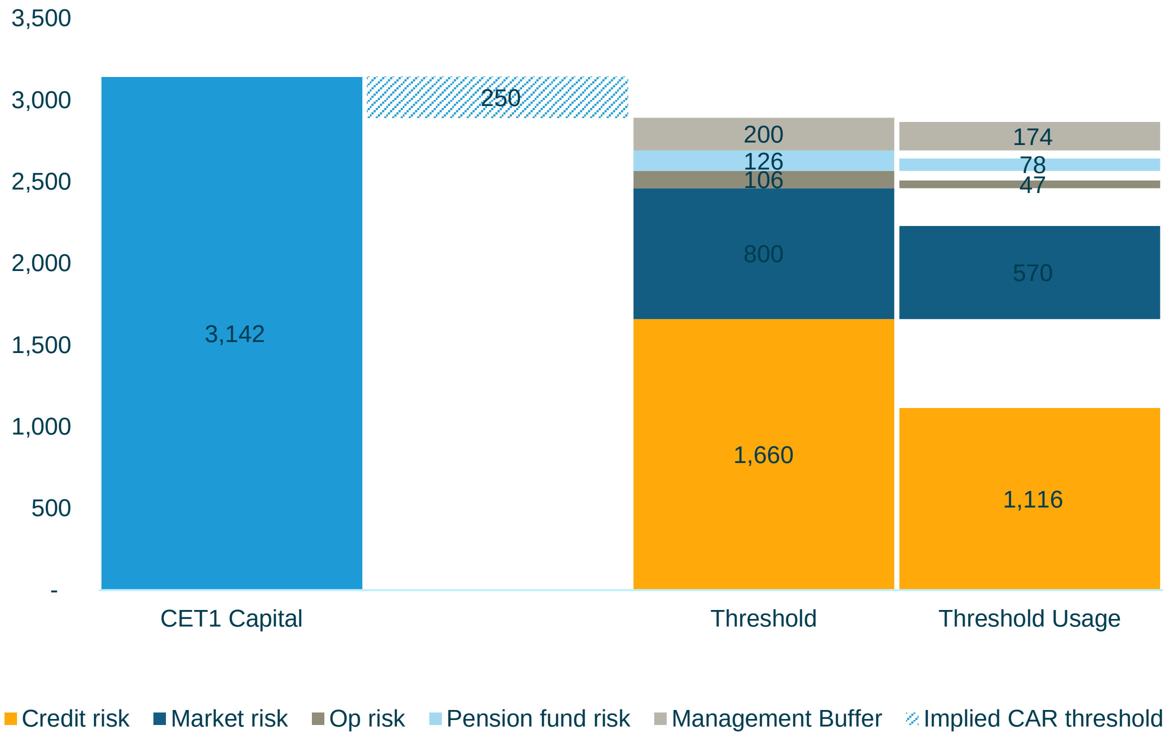
as significant economic risks that must be covered by equity capital in addition to the normative approach. The basis for the foregoing is a risk inventory (risk assessment) carried out at least annually or on an occasion-related basis and as part of procedurally developing the ICAAP concept.

Risk Report

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

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

As of December 31, 2021, the risk coverage potential (Tier 1) totaled EUR 3,142 million, which can be broken out as follows in accordance with the regulatory requirements and the capital buffer set by the Executive Board:



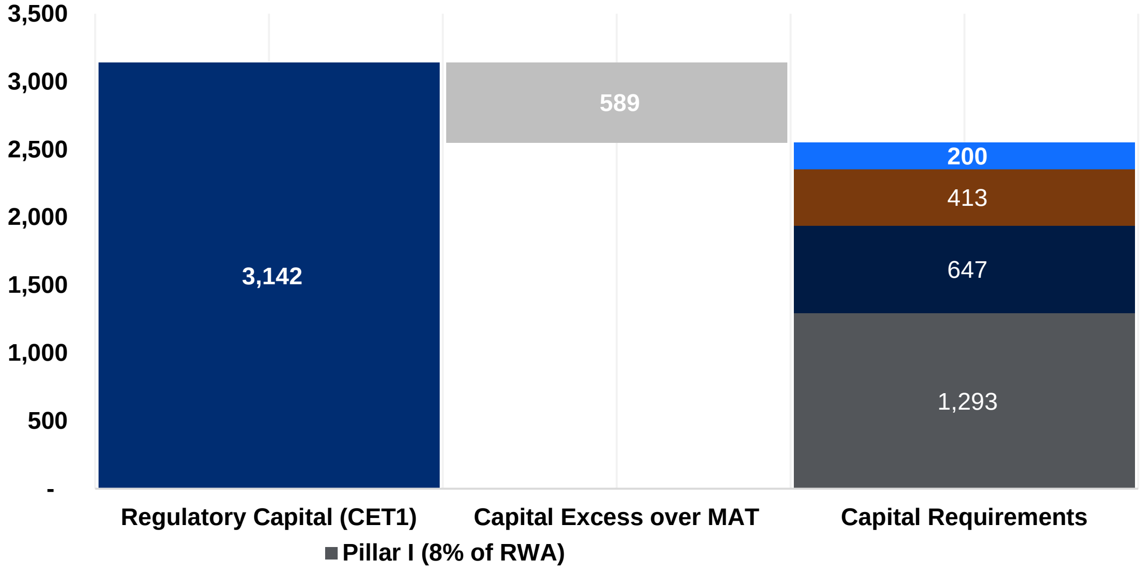
The Executive Board decided in 2021 to keep the management capital buffer unchanged at EUR 200 million. The size of the management capital buffer is determined on the basis of stress test simulations of strategic risk and the reputational risk, as well as a volatility calculation of risk-weighted assets. In the past year, capital increases were implemented in order to cover higher capital requirements resulting from the change in strategic orientation following BREXIT. Overall, equity risk coverage was adequate enough to meet the capital adequacy requirements. Of the total available equity of EUR 3,142 million, a total of EUR 2,692 million was determined as risk appetite at year-end 2021, of which EUR 1,811 million was utilized. This corresponds to a utilization rate of 67% of the prescribed threshold.

The **risk-bearing capacity** (**capital adequacy**), which is also calculated during the year by way of monthly and quarterly procedures, was guaranteed at all times during the 2021 fiscal year, and CGME had an adequate risk capital buffer. The capital projection carried out as part of the annual risk strategy process also revealed that the economic and normative capital adequacy will remain in place at all times upon taking into account the targeted business development and the demands in the strategy process specified under the MaRisk.

Normative capital planning

In the context of normative capital management in the base scenario, the requirements for compliance with regulatory key figures were met for the entirety of 2021. In addition to planning, a quarterly review of the planning assumptions and the actual risk development was undertaken as part of the ICAAP variance analysis and reported to the Executive Board in accordance with § 25 of the German Banking Act ("KWG"). In addition to the pure capital requirements, the required regulatory key figures such as the leverage ratio and large exposure limits were complied with and monitored. Normative capital management takes into account business performance over a period of three years and requires constant compliance with and monitoring of all regulatory key figures. Requirements extending beyond Pillar 1 are taken into account in the economic analysis.

In the normative perspective, the risk strategy and regulatory requirements were compliant as of December 31, 2021. At the end of the year, the equity base was in an adequate range, registering a capital surplus of EUR 589 million with a CET1 capitalization of EUR 3,142 million and a resulting CET1 ratio of 19.43%. With respect to the regulatory capital adequacy requirements, the Bank complied with an SREP buffer of 4% on each reference date last year. Additional capital ratios, such as the leverage ratio at 5.53%, were satisfied in addition to regulatory requirements, including the internal so-called management buffer of EUR 200 million.



4.5 Risk Types and Risk Identification and Management

4.5.1 General information

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

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

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

Additional risks, which are determined as a sub-function of the significant risk categories listed above, are monitored in separate management committees. These risks include, but are not limited to, technology risks, cyber risks and model risks. In this context, sustainability risks and concentration risks (inter-risk-type and intra-risk-type concentrations) are understood as cross-risk exposures that are analyzed and controlled with regard to their interdependent effect on other risks.

4.5.2 Counterparty and credit risks

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

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

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

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

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

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

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

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

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

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

As of the end of fiscal year 2021, CGME's **total pre-settlement exposure limits** (PSE limits) totaled USD 31,632 million, (approx. EUR 27,928)[38], and existed *vis-à-vis* a total of 429 counterparties. Of that amount, a total of approximately USD 6,530 million (approx. EUR 5,765 million) were utilized. The limit utilizations in the recently completed fiscal year rose substantially inasmuch as client positions had been increasingly booked with CGME during the course of the BREXIT implementation.

Broken down according to **rating classes**, the counterparty credit risk (counterparty risk and credit exposure) to which CGME was exposed as of the end of December 2021 can be shown as follows in terms of the utilizations:

$MM

FRR	Dec-20	Sep-21	Nov-21	Dec-21
1	574	682	814	608
2	2,148	2,393	1,892	2,494
3	1,060	2,265	2,164	1,465
4	588	2,084	2,386	2,028
5	240	722	538	353
6	10	97	48	28
7	4	35	17	13
8	0	0	0	0
9	0	0	0	0
10	0	0	0	0
Unrated	117	288	275	45
Total	4,741	8,565	8,133	7,033
Weighted Avg FRR	4	4-	4	4

The majority of utilizations (representing a share of approx. 94%) is thereby ascribed to rating classes 1 through 4.

To reduce the credit risks among the counterparties and the issuer risks in trading, master contracts for financial futures[39] and for securities repurchase agreements (repos) are generally used that provide reciprocal "netting agreements" intended to lower the counterparty credit risks. The master contracts used by CGME for financial futures transactions contain netting or setoff agreements at the individual trade levels

[38] USD 1.00 = EUR 0.8149

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

(so-called “payment netting”) and where all individual trades are terminated under a master agreement (so-called “close-out netting”)

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

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

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

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

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

Moreover, the Bank launched a suitable tool for quantifying the risk concentrations related to counterparty default risks and for implementing them in the reporting system. Above all, the concentration of counterparty risks is backed by economic equity resources.

4.5.3 Market price risks

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

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

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

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

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

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

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

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

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

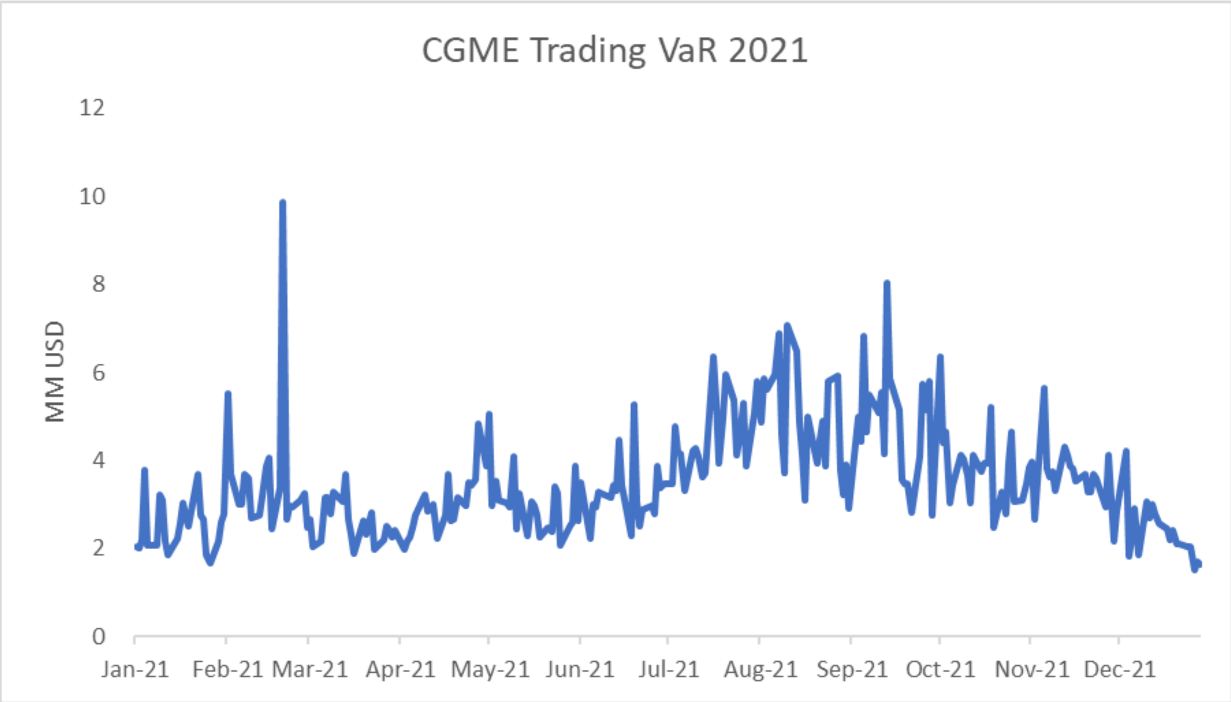
The Group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day, and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

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

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

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

The **development of the VaR** in 2021 can be depicted as follows:



The VaR limit was set at USD 9 million in 2021 and continues to exhibit relatively low utilization. [40] The sale of new trading products, which had been launched in light of the Bank's regional preparation for BREXIT, does not lead to any significant additional trading book positions because all transactions are fully hedged with other Group entities, the so-called "Risk Hubs". However, an exception here are sensitivities that are based on credit valuation adjustments (CVA), such as the credit spread risks. To monitor such risks, firm limits were introduced that are monitored and reported to management in the same manner as the risks specified above

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

4.5.4 Liquidity risks

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

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

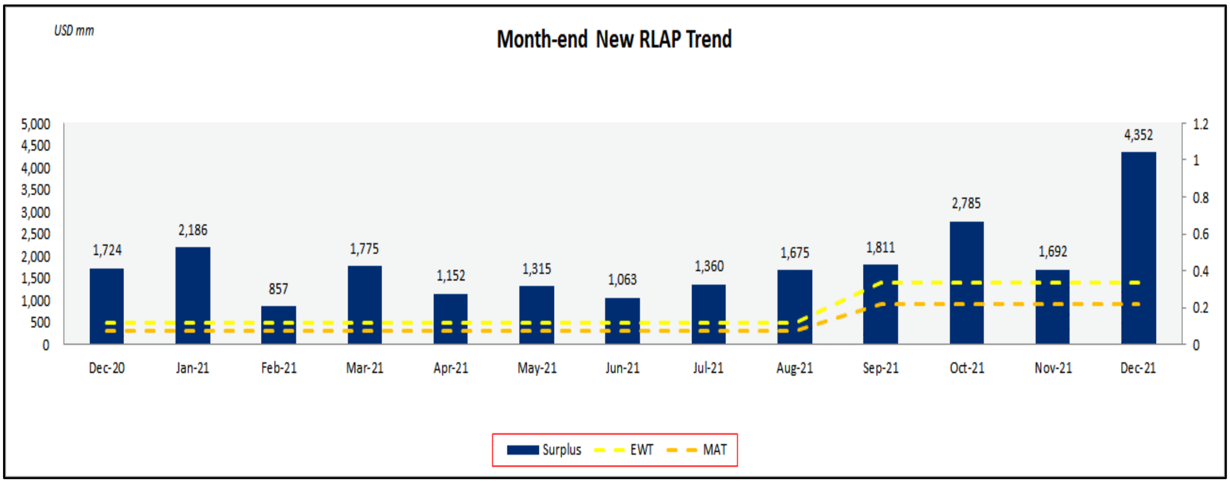
In addition, CGME has set up a liquidity reserve in order to absorb potential distortions on the capital markets and to fund any liquidity shortages that could result therefrom.

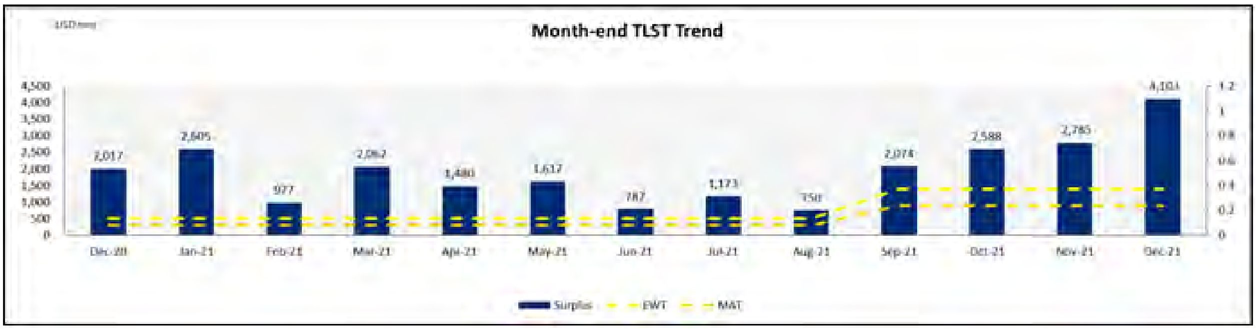
CGME reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the course of fiscal year 2021, no limit breaches (negative cash flow) were shown in the funding matrix.

[40] The spike in February was due to technical reasons and the increase from July to September was attributable to increased customer activity.

Risk Report

Broken down into the individual maturity bands as of the end of fiscal year 2021, the respective cumulative cashflows of CGME can be shown below as follows:





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

Liquidity Stress Metrics	Frequency	Tenor	Current			New		
			Limit	MAT	EWT	Limit	MAT	EWT
S2 / TLST	Daily	1 Year (and all tenors)	0	300	500	0	900	1,400
RLAP	Daily	30 Day (and all tenors)	0	300	500	0	900	1,400

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

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

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

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

4.5.5 Operational risks

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

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

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

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

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

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

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

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

Outsourcing processes and internal and external services have increased the operational risk. CGME has developed a suitable infrastructure in order to be able to assess and monitor the potential risks resulting from outsourcing measures. In this way, the materiality of all outsourcing will be evaluated once each year by the competent Outsourcing Steering Committee upon considering numerous factors. Furthermore, it is the responsibility of all outsourcing managers to regularly review the quality of the services rendered. Problems, which are thereby identified, must be reported to the Executive Board in a timely manner but, in any case, no later than as part of the monthly report.

Compliance risks are risks involving violations of regulatory requirements and rules that can negatively affect the Bank's profitability and stability. Compliance risks are also deemed to include adherence to ethical standards and internal guidelines. Because the causes and nature of these compliance risks are often identical to those of operational risks, the control and governance activities that have been implemented are essentially standardized. No significant violations occurred in the 2021 fiscal year.

4.5.6 Other significant risks

Pensions fund risks

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

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

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

Reputation risks

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

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

In fiscal year 2021, there were no material effects identified on the basis of a reputation risk.

Strategic risks

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

Strategic risks are backed by and supported with economic equity resources in connection with the setting of the capital buffer under the risk capital concept. This is carried out by incorporating the results of an idiosyncratic stress test, which simulates the Bank's profitability in the wake of an earnings shock.

Tax risks

In connection with a currently still pending tax audit of CGME for the 2009 – 2012 tax assessment period, the tax authorities have taken the view that the credited investment income withholding tax (which resulted from the Bank's own holdings) plus the solidarity surcharge (which is levied thereon) for the years 2009 through 2011 cannot be fully credited. If, based on this view, a credit of the relevant amounts is (partially) denied by the tax authorities for the years 2009-2011, then potential tax repayment obligations will need to be discharged not by CGME but instead by owners of Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, which was the sole shareholder of CGME during the aforementioned audit period and with which an income tax-integrated group (*ertragsteuerliche Organschaft*) had existed. Its owners (i.e., partners) were "Citigroup Global Markets Finance LLC, Delaware/USA" (general partner), and "Citi Overseas Investments Bahamas Inc., Commonwealth of The Bahamas" (limited partner). Based on the information currently available, a claim against CGME is therefore not expected. Accordingly, the tax risks for CGME are viewed as low.

Based on the findings from individual tax audits, which had been conducted at the customers of CGME's clients, the tax authorities are of the opinion that these customers (also referred to as "primary debtors") had executed certain stock transactions in the years up to 2011 and had incorrectly credited the investment income withholding tax (*Kapitalertragsteuer*), together the solidarity surcharge, which had been incurred on the dividend payments, The tax authorities believe that CGME should be subject to so-called "secondary liability", to the extent that the primary debtors did not discharge their tax payment obligations. To that end, the tax authorities issued the relevant liability orders (*Haftungsbescheide*) against CGME for the tax assessment period 2015 through 2018. CGME has filed an appeal against these liability orders and a motion to stay their enforcement pursuant to § 361 (2) of the German Fiscal Code (AO). The substantiating argument is that according to a legal opinion obtained in 2019, it is rather unlikely, both under civil and tax law, that CGME would be exposed to secondary liability for tax liabilities of customers in connection with investment income withholding tax (plus the solidarity surcharges thereon), which could serve as the basis for asserting claims against CGME. A factual element establishing such liability under §45a (7) of the German Income Tax Act (2009) is therefore deemed to be missing.

Up to and as of the date the balance sheet was prepared, there have been no new material findings regarding the facts of the case. The tax risks are therefore still considered to be low.

Risks in connection with the branches

The counterparty credit risks, market price risks, liquidity risks and operational risks connected with the business operations of the branches in Madrid, Milan and Paris as well as London are factored into the risk management and the assessment of CGME's capital adequacy.

4.6 Summary Description of the Risk Situation

CGME holds adequate liquidity and capital resources to suitably cover all of the identified aforementioned risks and to be able at all times to support sustained business development. Under each of these scenarios, this also applies to the implemented stress test. In fiscal year 2021, the regulatory equity capital requirements were met at all times and the risk coverage potential in connection with the economic capital requirement was adequate at all times during the fiscal year in order to support the risk profile resulting from the Bank's business activity.

In fiscal year 2021, the impact of the COVID-19 pandemic continued to cause significant uncertainty in the financial industry.

CGME has responded to this uncertainty and further developed its COVID-19 stress testing concept from fiscal year 2020. To that end, the economic resilience of important risk portfolios is stress-tested and the results are then included in a report delivered to management In addition, the Bank has defined two dedicated COVID-19 stress scenarios (deflation scenario and inflation scenario), which could arise as a result of the Corona pandemic, as idiosyncratic stress tests and applied them in connection with its 3-year capital planning.

The measures taken in connection with the Brexit implementation also resulted in the Bank's risk profile having changed substantially in fiscal year 2021. Essentially, counterparty risks and the resulting capital and liquidity drawdowns have increased significantly due to the addition of new client relationships. This process was supported by appropriate capital measures in order to guarantee the Bank's suitable capital base at all times.

In this context, the Bank will continue to find itself in a dynamically growing environment for fiscal year 2022.

5 Accounting-based Internal Control System

Accounting-based Internal Control System

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

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

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

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

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

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

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

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

Accounting-based Internal Control System

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

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

During the remaining course of the new fiscal year 2022, CGME intends to fully implement into the daily working procedures the measures, which had been commenced in the current reporting period, in order to further strengthen the accounting-based internal control system and to continually improve the documentation.

6 Corporate Governance

Corporate Governance

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

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

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

At approx. 29%, the target quota for women on the Supervisory Board was almost achieved by the end of fiscal year 2021.

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

As of the end of fiscal year 2021, the Executive Board consisted of four female and three male members. The female quota on the Executive Board was therefore approximately 57% and was thereby higher than the target quota. Effective as of January 1, 2022, an additional female member was appointed to the CGME Executive Board, which meant that the female quota increased to approx. 71%. At the end of fiscal year 2021, the proportion of women at the two professional position levels below the Executive Board was approx. 34% and thereby also higher than the target quota set at the time.

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

6.2. Sustainability and ESG Integration Approach

The climate crisis is one of the greatest challenges facing our global community and economy in the 21st century. Climate experts agree that urgent action is needed to address the current and potential impacts of climate change.

The financial sector has an important role to play in addressing the crisis by supporting the transformation to a sustainable and low-carbon economy that balances the environmental, social and economic needs of our society. Citigroup and CGME recognize the critical importance of sustainability issues. We recognize that it is our duty to support our environment and other sustainability issues, such as labor and social welfare concerns, respect for human rights, and combating corruption and bribery. As a result, Citigroup has embarked on the “Decade of Action” to achieve the United Nations' 17 Sustainable Development Goals and the targets set in the Paris Climate Accords.

In this context, Citigroup follows internationally recognized principles, including the ten principles of the United Nations Global Compact (UNGC), the Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEP FI), and the United Nations Guiding Principles on Business and Human Rights.

For CGME, sustainability means translating our values and strategy into comprehensive ESG engagement for our internal and external stakeholders. CGME defines "Sustainable Finance" as any form of financial activity that promotes environmental and/or social causes while contributing to the achievement of the 17 United Nations Sustainable Development Goals and the Paris Climate Accords.

In recent years, ESG issues, particularly climate change, have arguably become some of the biggest challenges globally. In this context, financial institutions are taking on a key role in the transition to a low-carbon, more sustainable economy. Investors are becoming increasingly aware of the environmental and social consequences of corporate and government actions, with nearly 80% of investors indicating that ESG factors play an important role in their investment decisions.

To address these issues, CGME has developed a sustainability strategy in 2021. In line with Citigroup, our mission is to deliver the best outcomes for our clients by responsibly providing innovative financial services that enable growth and economic progress while meeting our environmental responsibilities. Against this backdrop, our sustainability strategy aims to create sustainable value from an economic, environmental and social perspective, taking into account the expectations of internal and external stakeholders.

7 Final Statement regarding the Relations with Affiliated Enterprises (Affiliate Dependency Report) pursuant to § 312 (3) sentence 3 of the German Stock Corporation Act

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

The Executive Board of Citigroup Global Markets Europe AG has prepared a report regarding the relations with affiliated enterprises for the recently completed fiscal year 2021, and that report contains the following final statement:

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

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

Frankfurt am Main, April 7, 2022

Citigroup Global Markets Europe AG

Kristine Braden (CEO)

Peter Kimpel

Dr. Jasmin Kölbl-Vogt

Sylvie Renaud-Calmel

Oliver Russmann

Amela Sapcanin

Jean Young

Balance Sheet for the Fiscal Year as of December 31, 2021
Citigroup Global Markets Europe AG, Frankfurt am Main

A s s e t s

			EUR	EUR	EUR	12/31/2020 kEUR
1. Cash reserve						
a) Cash on hand				-.--		-
b) Credit balances held at central banks				-.--		-
of which: at the Deutsche Bundesbank (German Central Bank)	EUR -.--	(12/31/2020 kEUR -)				
c) Credit balances held at post giro offices				-.--	-.--	-
2. Receivables from banks						
a) Due upon demand				1,882,879,386.33		1,679,128
b) Other receivables				-.--	1,882,879,386.33	-
3. Receivables from clients					24,800,614,587.57	13,783,745
of which: secured through in rem security interests (*Grundpfandrechte*)	EUR -.--	(12/31/2020 kEUR -)				
Municipal loans	EUR -.--	(12/31/2020 kEUR -)				
4. Debt securities and other fixed-income securities						
a) Money market paper						
aa) issued by government entities			-.--			-
ab) issued by other entities			-.--	-.--		-
b) Bonds and debt securities						
ba) issued by government entities			-.--			-
of which: qualifying as collateral for the Deutsche Bundesbank	EUR -.--	(12/31/2020 kEUR -)				
bb) issued by other entities			-.--	-.--		-
of which: qualifying as collateral for the Deutsche Bundesbank	EUR -.--	(12/31/2020 kEUR -)				
c) Own debt securities				-.--	-.--	-
face value	EUR -.--	(12/31/2020 kEUR -)				

5.	**Stocks and other variable-yield securities**				-.--	-
5a	**Trading portfolio**				47,750,127,572.11	46,751,212
6.	**Equity investments**				1,135,714.07	1,136
	of which: held in banks	EUR -.-- (12/31/2020 kEUR -)				
	held in financial service institutions	EUR -.-- (12/31/2020 kEUR -)				
7.	**Trust assets**					
	of which: trust loans	EUR 338,042,362.64 (12/31/2020 kEUR 315,617)			338,042,362.64	315,617
8.	**Intangible assets**					
	a) Internally-generated industrial property rights and similar rights and assets			-.--		-
	b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets			44,148.34		77
	c) Goodwill			65,216,667.00		74,317
	d) Prepayments			-.--	65,260,815.34	-
9.	**Tangible assets**				8,507,771.18	2,538
10.	**Other assets**				9,030,655,680.07	7,689,123
11.	**Prepaid and deferred items**				804,196.13	1,126
12.	**Excess of plan assets over post-employment benefit liability**				35,442.00	-
Total Assets					83,878,063,527.44	70,298,019

Liabilities and Equity Capital				
	EUR	EUR	EUR	12/31/2020 kEUR
1. Liabilities owed to banks				
a) Payable on demand		1,825,960,819.40		235,866
b) With an agreed term or notice period		-.--	1,825,960,819.40	-
2. Liabilities owed to clients				
a) Savings deposits				
aa) with an agreed notice period of three months	-.--			-
ab) with an agreed notice period of more than three months	-.--	-.--		-
b) Other liabilities				
ba) Payable on demand	20,351,831,590.09			11,482,090
bb) With an agreed term or notice period	1,589,263,655.22	21,941,095,245.31	21,941,095,245.31	1,146,437
3. Securitized liabilities				
a) Issued debt securities		-.--		-
b) Other securitized liabilities		-.--		-
of which:				
Money market paper EUR -.-- (12/31/2020 kEUR -)				
Own acceptances and promissory notes outstanding (sola bill) EUR -.-- (12/31/2020 kEUR -)				
c) Miscellaneous securitized liabilities	-.--	-.--	-.--	-
3a Trading portfolio			47,725,053,487.42	46,503,037
4. Trust liabilities			338,042,362.64	315,617

5. Other liabilities			8,582,290,983.10	8,619,262
6. Deferred income			-.--	-
7. Accrued liabilities				
a) Pensions and similar obligations		30,121,236.00		21,001
b) Tax reserves		19,258,312.66		22,130
c) Other accrued liabilities		131,481,043.86	180,860,592.52	102,737
8. Funds for general bank risks			28,333,610.23	28,334
as defined in § 340e (4) HGB EUR 28,333,610.23 (12/31/2020 kEUR 28,334)				
9. Equity capital				
a) Subscribed capital				
aa) registered share capital	242,393,054.05			242,393
ab) silent partner capital	-.--	242,393,054.05		-
b) Capital reserves	2,919,340,204.41	2,919,340,204.41		1,501,320
c) Earnings reserves				
ca) legal reserve	33,027,197.15			33,027
cb) reserves for treasury shares	-.--			-
cc) reserves required by articles of association	-.--			-
cd) other earnings reserves	44,766,609.17	77,793,806.32		27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)		16,899,362.04	3,256,426,426.82	16,850
Total Liabilities and Equity Capital			83,878,063,527.44	70,298,019

Income Statement
for the Period of January 1, 2021 through December 31, 2021
Citigroup Global Markets Europe AG, Frankfurt am Main

	EUR	EUR	EUR	1/1/2020 - 12/31/2020 kEUR
1. Interest income from				
a) Loans and money market transactions	87,280,411.00			8,892
2. Negative interest income from				
a) Loans and money market transactions	68,783,027.39	18,497,383.61		12,418
3. Interest expenses	106,700,411.28			34,950
4. Positive interest from loans and money market transactions	49,955,102.59	-56,745,308.69	-38,247,925.08	932
5. Current income from				
a) Shares and other variable-yield securities		-. --		-
b) Equity investments		385,085.39		194
c) Interest in affiliated enterprises		-. --	385,085.39	-
6. Commission income		720,918,601.67		264,983
7. Commission expenses		328,436,725.14	392,481,876.53	42,493
8. Net income from financial trading operations			96,519,719.90	69,853
Included therein are deposits into funds for general bank risks per § 340e (4) HGB EUR -.-- (1/1/2020-12/31/2020 EUR -.--)				
9. Other operating income			54,390,980.88	99,271
10. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	197,308,340.93			160,874
ab) Social security contributions, pension and social welfare expenses	22,863,782.50	220,172,123.43		9,135
of which: for Pensions EUR 15,607,264.78 (1/1/2020-12/31/2020: kEUR 3,999)				
b) Other administrative expenses		231,775,779.19	451,947,902.62	122,801
11. Depreciation, amortization and write-downs of tangible and intangible assets			10,080,702.04	10,085
12. Other operating expenses			14,776,045.58	12,840

13. Write-downs of, and provisions for, receivables and certain securities and additions to loan reserves	-. --		-
14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	-. --	-. --	-
15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		-. --	-
16. Results from ordinary operations		28,725,087.38	38,529
17. Taxes on income and earnings	11,825,725.34		21,679
18. Other taxes, to the extent not included in item 12	-. --	11,825,725.34	-
19. Income from loss transfers		-. --	-
20. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		-. --	-
21. Annual net profit/Annual net loss		16,899,362.04	16,850
22. Profit carried forward/Loss carried forward from prior year		-. --	-
		16,899,362.04	16,850
23. Transfers from capital reserves		-. --	-
		-. --	-
24. Transfer from earnings reserves			
a) from legal reserve	-. --		-
b) from reserve for treasury shares	-. --		-
c) from reserves required by the bank's articles of association	-. --		-
d) from other earning reserves	-. --	-. --	-
		-. --	-
25. Transfers from capital participation rights (*Genussrechtskapital*)		-. --	-
		-. --	-
26. Transfers to earnings reserves			
a) to legal reserve	-. --		-
b) to reserve for treasury shares	-. --		-
c) to reserves required by the bank's articles of association	-. --		-
d) to other earning reserves	-. --	-. -- /.	16,850
		-. --	-
27. Replenishment of capital with profit participation rights		-. --	-
28. Unappropriated profit (balance sheet profit)		16,899,362.04	-

Citigroup Global Markets Europe AG,
Frankfurt am Main

Notes
to the Financial Statements for the Fiscal Year of
January 1, 2021 through December 31, 2021

1 General

1.1 General Information

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

The annual financial statements for the fiscal year of January 1 through December 31, 2021 ("Fiscal Year") were prepared in accordance with the provisions of the German Commercial Code (abbreviated herein as "HGB"), the German Stock Corporation Act (abbreviated herein as "AktG") and the supplemental accounting rules of the provisions under the Accounting Regulation for Banks and Financial Services Institutions (abbreviated herein as "RechKredV").

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

CGME is not a capital markets-oriented corporation within the meaning of § 264d HGB in combination with § 340a (1) HGB, because none of the securities issued by CGME were admitted for trading on an organized market within the meaning of § 2 (11) of the German Securities Trading Act (abbreviated herein as "WpHG") in Fiscal Year 2021 and because CGME also did not apply for admission to trading such securities on an organized market within the meaning of § 2 (11) of the WpHG in Fiscal Year 2021.

In the course of its growing business activities triggered by Brexit, CGME surpassed the significant criterion of a balance sheet totaling EUR 30 billion (based on a 12-month average) in June of Fiscal Year 2021. CGME is therefore now classified as a CRR credit institution in accordance with Directive (EU) No. 2019/2034 in combination with Article 4 para. 1, no. 1 of Regulation (EU) No. 575/2013 and is considered a public interest entity ("PIE") within the meaning of § 316a no. 2 HGB in combination with § 1 para. 3d, sentence 1 of the German Banking Act (abbreviated herein as "KWG").

1.2 Supplementary report

Ms. Jean Young was appointed to the Executive Board effective January 1, 2022.

The Russian invasion of Ukraine could have an impact on the European and German financial systems. On the one hand, this concerns the commodity markets inasmuch as the military conflict will further exacerbate the rise in gas and oil prices. Furthermore, it can be assumed that the invasion will impact existing supply chains and, combined with increasing energy and production costs, will also lead to great uncertainty on the financial and capital markets. As of the balance sheet date (December 31, 2021), CGME did not hold direct receivables against Russian banks. The volume of existing indirect receivables held against Russian debtors is assessed as limited.

2 Accounting and Valuation Policies

2.1 Accounting and Valuation Methods

Unless otherwise described below or unless an additional explanation for better comprehension is considered necessary, the same accounting and valuation methods that were applied in connection with preparing the annual financial statements as of December 31, 2020 were used in preparing the annual financial statements as of December 31, 2021.

Receivables from banks are stated at the nominal amount plus accrued interest and, if required, less any write-downs or allowances established to cover counterparty risks. No write-downs were required in the Fiscal Year.

Receivables from clients are recorded on the balance sheet at the repayment amount plus accrued interest and, if required, less any write-downs or allowances established to cover counterparty risks. No write-downs were required in the Fiscal Year.

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

As of December 31, 2021, a **risk discount** (**Value at Risk**) in the amount of EUR 16.6 million was applied. In comparison to the valuation discount applied as of the end of fiscal year 2020 in the amount of EUR 7.4 million, this discount results in an additional adverse impact on earnings in the amount of EUR 9.2 million for Fiscal Year 2021.

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

In addition to the value at risk, CGME reported as a liability on the balance sheet and as of the balance sheet date a “market value adjustment” under the trading book item “Other Price Risks” in the amount of EUR 2.3 million (12/31/2020: EUR 2.0 million), which adjustment was calculated using a mathematical method and factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

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

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

The **intangible assets**, which were all acquired in exchange for consideration, and the **tangible assets** are valued at their cost of acquisition and are generally written-down on a straight-line basis in accordance with the expected standard useful life of those assets. Any permanent impairment that may exist is taken into account through an unscheduled write-down. When in fiscal year 2019 the branches in Paris, Milan and Madrid were contributed as capital in connection with the CGME registered share capital increase, the customer relationships that existed at the branches were also transferred and those relationships were attributed a goodwill value, which is being amortized on a scheduled basis *pro rata temporis* over a 10-year period.

Other assets are shown on the balance sheet at their nominal value. In the event of an impairment, the stock or market price or the lower fair value will be subject to a one-time (unscheduled) write-down in accordance with § 253 (4) HGB. Any anticipated losses that are identified in connection with the valuation of the collateral provided as part of the derivatives settlement (variation margins) are booked on the balance sheet as accrued liabilities.

Low-value economic assets (*geringwertige Wirtschaftsgüter*) with net acquisition or manufacturing costs of between EUR 250 and EUR 800 are written-off in full in the year in which they are acquired.

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

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

The **other liabilities** were recognized at their settlement amount.

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

In order to calculate the present cash value, a discount rate of 1.87 % (12/31/2020: 2.30%) based on a 15-year term was used. Pursuant to § 253 (2) sentence 1 HGB, the average market rate of the previous ten fiscal years was used as the discount rate for calculating the present cash value in the recently completed fiscal year. With respect to the resulting difference, we refer to our comments on page 20 of these notes regarding the total sum of the amounts barred from payout distribution. Future salary and wage increases were estimated at 2.5%, and at the same time, a 1.7% adjustment of the current annuities was assumed.

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

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

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

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

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

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

2.2 Amended accounting and valuation methods adopted for the first time

The changes resulting from the reform of the interbank reference interest rates (IBOR Reform) were implemented at the Citigroup Group. The possible consequences of the IBOR Reform on the commercial accounting of certain financial instruments are not significant for CGME. On the one hand, no valuation units in accordance with § 254 HGB existed in fiscal year 2021. On the other hand, the market reference interest rates were replaced with little implementation effort. The low implementation effort can be attributed to CGME’s business model.

3 Notes to Individual Items on the Balance Sheet

3.1 Balance sheet items

3.1.1 Term structures based on maturity dates

Receivables from banks

Receivables from banks consist of receivables from affiliated enterprises and from banks outside of the Citigroup Group.

	12/31/2021 (EUR in millions)	**12/31/2020 (EUR in millions)**
with a term to maturity of		
up to three months	1,882.9	1,679.1
Total	**1,882.9**	**1,679.1**

Receivables from banks rose by EUR 203.8 million as a result of the continued business expansion in the Fiscal Year. This growth was caused primarily by the decline in receivables (EUR 197.8 million) in connection with the initiated broker-dealer business that CGME transacted on the derivatives market, “Eurex”, and by the increase in receivables from affiliated enterprises (approx. EUR 356.0 million).

Receivables from clients

Receivables from clients consist primarily of receivables from affiliated enterprises and from clients outside the Citigroup Group.

	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
with a term to maturity of		
up to three months	24,800.6	13,783.7
Total	**24,800.6**	**13,783.7**

Compared with the balance sheet date of the recently completed fiscal year, **receivables from clients** as of December 31, 2021 rose by EUR 11,016.9 million to EUR 24,800.6 million. Of that amount, approximately EUR 5,143.3 million of the receivables related to the broker-dealer transactions that were executed in its own name and for its own account and that CGME settled via, *inter alia*, the transaction and settlement departments known as “Other External Clearing Houses (so-called Housing)” (12/31/2021: EUR 3,828.0 million; 12/31/2020: EUR 2,174.1 million) as well as “Clearing London/CGML” (12/31/2021; EUR 1,310.4 million; 12/31/2020: EUR 820.9 million). Moreover, a total of EUR 3,381.1 million (12/31/2020: EUR 4,291.4 million million) is attributable to other receivables from clients based on the broker-dealer business with third parties, whereby a total of EUR 2,163.0 million (12/31/2020: EUR 2,816.1 million) were settled as back-to-back transactions with affiliated enterprises. Accordingly, as of December 31, 2021, the **liabilities owed to clients** had risen from EUR 12,628.5 million to EUR 21,941.1 million.

The balance sheet items also include receivables that were generated from repo transactions (reverse repos) in the amount of EUR 14,371.7 million (12/31/2020: EUR 4,513.1 million). Of this amount, approximately EUR 6,331.2 million relate to reversed repo transactions executed with third parties in connection with the Fixed Income Finance Division (so-called “Matchbook-Desk”) and approximately EUR 8,040.5 million relate to securities transactions that were executed with affiliated enterprises for liquidity purposes (reverse repo transactions).

Liabilities owed to banks

The liabilities are owed mainly to banks outside of the Citigroup Group.

	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
with an agreed term or notice period of up to three months	1,826.0	235.9
Total	**1,826.0**	**235.9**

By virtue of the business expansion that was continued in the Fiscal Year, the liabilities owed to banks rose by EUR 1,590.1 million. This development is attributable primarily to an increase in liabilities (EUR 1,092.6 million) incurred from the Broker-/Dealer business transactions, which CGME settled on the Eurex futures exchange, and to an increase in the liabilities owed to affiliated enterprises (approx. EUR 294.6 million).

Liabilities owed to clients

The liabilities owed to clients consist of liabilities owed to affiliated enterprises and to clients outside of the Citigroup Group and reveal the following maturities:

	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
with an agreed term or notice period of up to three months	20,351.9	11,487.6
more than one year and up to five years	794.6	733.4
more than five years	794.6	407.5
Total	**21,941.1**	**12,628.5**

This balance sheet items also include liabilities from closed-out repo transactions in the amount totaling EUR 8,992.2 million (12/31/2020: EUR 1,657.5 million). Of this amount, approximately EUR 6,136.9 million relate to repo transactions that were executed with third parties in connection with the Fixed Income Finance Division (so-called “Matchbook-Desk” and approximately EUR 2,855.2 million relate to repo transactions that were executed with affiliated enterprises for liquidity management purposes.

The balance sheet items also include liabilities owed to the affiliated enterprise, Citicorp LLC (USA) in an amount totaling EUR 1,589.3 million (12/31/2020: EUR 1,146.4 million).

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

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

Receivables from affiliated enterprises

	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
Receivables from banks	919.4	536.6
Receivables from clients	11,562.5	7,404.9
Other receivables	78.1	18.2
Total	**12,560.0**	**7,959.7**

Liabilities owed to affiliated enterprises

	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
Liabilities owed to banks	547.4	231.3
Liabilities owed to clients	8,941.2	6,253.6
Other liabilities	5,674.4	7,581.2
Total	**15,163.0**	**14,066.1**

3.1.3 Trading portfolio assets and liabilities

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

Trading Portfolio				
	Asset	**Liability**	**Asset**	**Liability**
	Book value 12/31/2021 (EUR in millions)	**Book value 12/31/2021 (EUR in millions)**	**Book value 12/31/2020 (EUR in millions))**	**Book value 12/31/2020 (EUR in millions)**
1. Derivative Financial Instruments				
• FX-induced trades				
OTC-currency options and options	3,190.0	3,185.8	2,088.3	2,083.8
Currency warrants own issues	177.4	182.1	259.1	263.7
Foreign exchange spot transactions	467.9	465.9	414.6	416.7
• Stock warrants own issues	7,808.4	8,473.1	4,820.1	5,223.1
• OTC stocks and index options and swaps	1,009.1	1,001.1	517.6	503.3
• Index-warrants own issues	3,428.6	3,487.0	1,680.0	1,715.8
• Exchange-traded stock & index options	481.2	21.3	343.8	20.0
• OTC interest rate options and swaps	27,998.2	27,949.5	35,657.3	35,582.4
• Commodity warrants own issues	137.8	142.0	58.4	60.9
• OTC commodity options and swaps	1,524.6	1,524.5	175.3	175.3
Carryover	46,223.2	46,432.3	46,014.5	46,045.0

Trading Portfolio				
	Assets	**Liabilities**	**Assets**	**Liabilities**
	Book value 12/31/2021 (EUR in millions)	**Book value 12/31/2021 (EUR in millions)**	**Book value 12/31/2020 (EUR in millions)**	**Book value 12/31/2020 (EUR in millions)**
Carryover	46,223.2	46,432.3	46,014.5	46,045.0
2. Bonds and other fixed income securities	331.8	1,147.1	249.9	382.6
of which marketable (börsenfähig)	331.8	1,147.1	249.9	382.6
of which exchange-traded	331.8	1,147.1	249.9	382.6
3. Stocks and other variable yield securities	1,211.7	143.4	494.2	73.4
of which marketable	1,211.7	143.4	494.2	73.4
of which exchange-traded	1,211.7	143.4	494.2	73.4
4. Market-Value-Adjustment	-	2.3	-	2.0
5. Value at Risk	- 16.6	**-**	- 7.4	**-**
Total	**47,750.1**	**47,725.1**	**46,751.2**	**46,503.0**

3.1.4 Trust assets and trust liabilities

CGME has been providing its clients with services that are part of its business services connected with derivatives. Under so-called "**FCX Business**" (which stands for "Futures, Clearing and FX Prime Brokerage Business"), the CGME investor services business encompasses, *inter alia*, the trading of derivate financial instruments in its own name but for the account of the clients and the related receipt and forwarding of client funds, which must be deposited by the client to serve as collateral to secure the trading in futures. The contractual arrangements that were thereby made stipulate a segregation of client assets from the CGME assets in an effort to specifically shield client assets from any third-party enforcement action that could be initiated in the event that the "asset-managing" CGME becomes the subject of an insolvency proceeding. The client assets are therefore held in trust. Accordingly, as of the end of Fiscal Year 2021, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 338.0 million.

3.1.5 Movement of fixed assets

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

	Original Acquisition costs			Accumulated depreciation, amortization and write-downs					Book values	
	1/1/2021	Additions (Disposals) Re-Posting	12/31/2021	1/1/2021	Write-Downs	Write-Ups	Additions (Disposals) Re-Posting	12/31/2021	12/31/2021	12/31/2020
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Intangible assets acquired for consideration	96.0	0.0 0.0 0.0	96.0	21.6	9.1	0.0	0.0 0.0 0.0	30.8	65.3	74.4
Office and plant equipment	8.0	0.9 0.1 0.0	8.8	6.8	0.5	0.0	0.0 0.1 0.0	7.3	1.5	1.1
Leasehold improv-ments	15.3	0.3 0.1 0.0	15.5	14.3	0.4	0.0	0.0 0.0 0.0	14.7	0.8	1.0
Construction in progress	0.5	5.8 0.1 0.0	6.1	0.0	0.0	0.0	0.0 0.0 0.0	0.0	6.1	0.4
Equity investments	1.1	0.0 0.0 0.0	1.1	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Total	**120.8**	**7.1** **0.2** **0.0**	**127.7**	**42.8**	**10.1**	**0.0**	**0.0** **0.1** **0.0**	**52.8**	**74.9**	**78.1**

The intangible and tangible assets (office and plant equipment as well as leasehold improvements), as reported as of the end of the Fiscal Year, are used solely by CGME itself. The additions made to tangible assets relate primarily to construction in progress at the French branch and to the continued business expansion in Paris. Depreciation, amortization and write-downs relating to the additions made during the Fiscal Year totaled kEUR 22 for tangible assets.

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

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

Equity investments	**12/31/2021 (EUR in millions)**	**12/31/2020 (EUR in millions)**
True-Sale International GmbH, Frankfurt	0.15	0.15
Börse Stuttgart CATS GmbH, Stuttgart	0.99	0.99
Total	**1.14**	**1.14**

3.1.6 Other assets

The line item, “Other Assets” (EUR 9,030.7 million; 12/31/2020: EUR 7,689.1 million), includes primarily receivables generated from variation/initial margins paid (EUR 8,923.9 million; 12/31/2020: EUR 7,633.9 million), which arose due to the continued expansion of the broker-dealer business in the Fiscal Year and as a result of tax refund claims (EUR 44.8 million; 12/31/2020: EUR 18.9 million).

3.1.7 Prepaid and deferred items

The amount on the balance sheet totaling EUR 0.8 million (12/31/2020: EUR 1.1 million) relates to prepaid fees and expenses.

3.1.8 Other liabilities

The line item, “Other Liabilities” (EUR 8,582.3 million; 12/31/2020: EUR 8,619.3 million), involves primarily liabilities arising from variation/initial margins received (EUR 8,541.1 million; 12/31/2020: EUR 8,603.7 million), which arose due to the continued expansion of the broker-dealer business in the Fiscal Year and as a result of tax refund claims EUR 29.1 million (12/31/2020: EUR 11.3 million).

3.1.9 Accruals for pensions and similar obligations

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

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

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

In course of the personnel changes, pension obligations were transferred from CGME to Citibank Europe Plc (CEP) as of December 1, 2021. The amount of the obligations as of the transfer date is based on the projected benefit obligation for such pension obligations as calculated in accordance with US GAAP. The difference between the settlement amount under the commercial code accounting rules (EUR 7.1 million) and the corresponding obligation amount under US GAAP (EUR 9.8 million) equaled EUR 2.7 million and was reported under other operating expenses.

In December 2021, the pension obligations, which totaled EUR 95.4 million and were owed to retirees, were transferred to Metzler Pension Fund (MPF). The shares in the “Rose” fund totaling EUR 95.4 million was sold from the CTA and deposited into the Metzler Pension Fund. In accordance with Art. 28 of the Introductory Act of the German Commercial Code (abbreviated herein as “EGHGB”), no accrual was created for this indirect obligation arising from commitments for ongoing pensions. The settlement amount from the pension obligations transferred to MPF equaled EUR 95.3 million as of December 31, 2021.

To hedge the pension commitments, shares that are held in the “Rose” fund (acquisition costs of EUR 55.4 million) and were purchased or contractually promised by CGME, are made available and, pursuant to § 246 (2) sentence 2 in combination with § 340a (1) HGB, were netted at their fair value (EUR 107.4 million) against the settlement amount from the pension obligations (EUR 122.5 million). The settlement amount exceeding the plan assets as of the balance sheet date and equaling EUR 15.1 million (12/31/2020: EUR 10.6 million) is recognized on the balance sheet under the item, “Accruals for pensions and similar obligations”.

As of December 31, 2021, **pension obligations under the “PAS”, “PRS” and “Deferred Compensation” plans** also exist and arose from **bonus conversions**. The obligations under the “PAS” and “Deferred Compensation” plans are linked to the fair value of the relevant fund serving as the plan assets.

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

	12/31/2021		12/31/2020	
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**
I. General pension obligations				
Settlement amount	125.5		211.7	
less				
plan assets Rose*)	- 107.4	18.1	- 198.0	13.7
II. Pension obligations PAS) **				
Settlement amount	9.7		9.1	
less				
plan assets	- 9.7	-	- 9.1	-
III. Pension obligations Deferred Compensation*)**				
Settlement amount	3.6		8.1	
less				
plan assets	- 3.6	-	- 8.1	-
IV. Pension obligations PRS **)**				
Settlement amount	58.8		56.4	
less				
plan assets	- 46.8	12.0	- 49.1	7.3
Excess of plan assets over post-employment benefit liabilities		**-**		**-**
Accruals for pensions and similar obligations		**30.1**		**21.0**

*) Acquisition costs EUR 55.4 million
**) Acquisition costs EUR 2.9 million
***) Acquisition costs EUR 2.4 million
****) Acquisition costs EUR 37.3 million

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

	1/1/2021-12/31/2021 (EUR in millions)		1/1/2020-12/31/2020 (EUR in millions)	
I. General pension obligations				
- Expense (-)/income based on interest accrued on pension obligations	- 12.2		- 16.4	
- Change in the fair value of the plan assets	4.8		6.6	
- Expenses for standard allocation	- 15.3	- 22.7	- 3.9	- 13.7
II. Pension obligations PAS				
- Expense (-)/income based on interest accrued on pension obligations	- 1.3		- 0.2	
- Change in the fair value of the plan assets	1.3	-	0.2	-
III. Pension obligations Deferred Compensation				
- Expense (-)/income based on interest accrued on pension obligations	0.0		0.0	
- Change in the fair value of the plan assets	0.0	-	0.0	-
IV. Pension obligations PRS				
- Expense (-)/income based on interest accrued on pension obligations	- 3.1		- 3.2	
- Change in the fair value of the plan assets	- 1.3		1.4	
- Expenses for standard allocation	- 0.3	- 4.7	- 0.2	- 2.0
Total		**- 27.4**		**- 15.7**

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

Reason for barring payout distribution	12/31/2021 (EUR in millions)	12/31/2020 (EUR in millions)
Capitalization of the plan assets in connection with pension obligations at fair value (12/31/2021: EUR 167.4 million; 12/31/2020: EUR 264.3 million) pursuant to § 268 (8) sentence 3 in combination with § 340a (1) HGB	69.4	112.8
Differential in connection with the differentiated interest applied to pension accruals pursuant to § 253 (6) in combination with § 340a (1) HGB	12.9	23.8
Total	**82.3**	**136.6**

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

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

	10-year average interest rate and term to maturity of 15 years		**7-year average interest rate and term to maturity of 15 years**	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Average interest rate (%)	1.87	2.30	1.35	1.60
Accrual for pensions and similar obligations (EUR in millions))	162.9	245.7	175.7	269.5
Differential amount (EUR in millions)				
	12/31/2021		**12/31/2020**	
	12.9		**23.8**	

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

3.1.10 Other accruals

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

Accruals for	**12/31/2021 (EUR in millions)**	**12/31/2020 (EUR in millions)**
Bonus payments to employees	92.4	82.2
Outstanding invoices	23.5	8.0
Outstanding vacation	8.0	7.7
Audit costs	3.7	3.1
Personnel costs	3.9	1.7
Early retirement obligations	0.0	0.0
Total	**131.5**	**102.7**

In calculating the provisions set aside for early retirement obligations (kEUR 0; 12/31/2020: kEUR 16), claims arising from pledged reinsurance policies and totaling EUR 0.47 million (12/31/2020: EUR 0.7 million) were reconciled against the settlement amount of EUR 0.44 million (12/31/2020: EUR 0.7 million). The plan assets exceeding the settlement amount and totaling EUR 0.03 million (12/31/2020: surplus settlement amount kEUR 16 shown under “Other accrued liabilities”) were reported under the balance sheet item, “Excess of plan assets over the post-employment benefit liability”.

In the recently completed Fiscal Year, expenses in the amount of kEUR 3 (12/31/2020: kEUR 8) were generated from interest accrued on the obligations, and income totaling kEUR 8 (12/31/2020: kEUR 13) was yielded from a change in the fair value of the plan assets. In connection with the standard allocation, expenses totaling kEUR 3 (12/31/2020: income of kEUR 151) were incurred.

3.1.11 Funds for general bank risks

As of the end of the Fiscal Year, the disbursement ban shown under the balance sheet item “**Special Items for General Bank Risk**” pursuant to § 340e (4) HGB was EUR 26.9 million (12/31/2020: EUR 26.1 million).

3.1.12 Subscribed capital

The **subscribed capital** totaling EUR 242.4 million (12/31/2020: EUR 242.4 million) is divided into 9,481,592 no par shares (12/31/2020: 9,481,592). The sole shareholder of CGME is Citigroup Global Markets Ltd., London/Great Britain (abbreviated herein as “CGML”), whose financial statements are included in the consolidated financial statements of Citigroup Inc., New York/USA.

3.1.13 Capital reserves

In the Fiscal Year, the CGME capital reserves climbed by EUR 1,418.0 million to EUR 2,919.3 million (12/31/2020: EUR 1,501.3 million). The increase in capital reserves resulted from the shareholder’s additional capital injections described below:

In February 2021, the sole shareholder of CGME, Citigroup Global Markets Limited (CGML), London/Great Britain, made an additional contribution to equity capital pursuant to § 272 (2) no. 4 HGB in the amount of USD 700 million, which is equivalent to approx. EUR 576.8 million.

In April 2021, the sole shareholder of CGME, Citigroup Global Markets Limited (CGML), London/Great Britain, made another additional contribution to equity capital pursuant to § 272 (2), no. 4 HGB in the amount of USD 500 million, which is equivalent to approx. EUR 420.4 million.

In June 2021, the sole shareholder of CGME, CGML, made another additional contribution to equity capital pursuant to § 272 (2), no. 4 HGB in the amount of USD 503 million, which is equivalent to approx. EUR 420.8 million.

3.1.14 Assets and liabilities denominated in foreign currencies

The total amount of assets denominated in a foreign currency is EUR 6,737.4 million (12/31/2020: EUR 4,579.1 million); the liabilities contain foreign currency amounts totaling EUR 7,314.8 million (12/31/2020: EUR 4,816.7 million).

3.2 Income Statement Items

3.2.1 Interest result

The interest result worsened overall with the net loss climbing EUR 0.7 million to EUR - 38.2 million (12/31/2020: EUR - 37.5 million). This item includes primarily interest expenses that climbed EUR 71.7 million, which in turn were incurred mainly in connection with the collateral provided in the broker-dealer business, the volume of which rose significantly from the prior year.

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

The positive interest expenses are attributable mainly to the closed-out repo transactions and to the collateral received from the broker/dealer business.

3.2.2 Commission income

The commission income is derived from the following components:

Type of fee	**1/1/ - 12/31/2021 (EUR in millions)**	**1/1/ - 12/31/2020 (EUR in millions)**
Brokerage fees from affiliated enterprises	253.6	172.1
Commission fees from M&A/Advisory/Agency Business	338.3	75.4
Miscellaneous fees	95.4	-
Commissions fees on foreign currency products	33.6	17.5
Total commission income	**720.9**	**265.0**
Commission expenses: Internal group pass-through of commission fees	**- 328.4**	**- 42.5**
Net commission income	**392.5**	**222.5**

The increase in **commission income** by EUR 455.9 million (EUR 720.9 million; 1/1-12/31/2020: EUR 265.0 million) can be attributed primarily to the higher M&A income (EUR 228.0 million; 1/1-12/31/2020: EUR 74.2 million) and to income from the Agency Services business in the amount of EUR 109.0 million.
Brokerage fees of affiliated enterprises rose in the Fiscal Year by EUR 81.4 million (EUR 253.5 million; 1/1-12/31/2020: EUR 172.1 million). This resulted primarily from higher apportionments from the ECM business (EUR 50.3 million).

Miscellaneous fees in the Fiscal Year totaled EUR 95.4 million (1/1-12/31/2020: EUR 0 million) and consist of underwriting fees (EUR 66.0 million) and investment banking fees (EUR 22.8 million).

The increase in **commission expenses** by EUR 285.9 million (EUR 328.4 million; 1/1-12/31/2020: EUR 42.5 million) was caused primarily by the intra-group apportionment of M&A income totaling EUR 240.1 million (1/1-12/31/2020: EUR 33.3 million) and by the apportionment of income generated from Agency Services and totaling EUR 58.9 million.

3.2.3 Net income from financial trading operations

Result trading books	**1/1 – 12/31/2021 (EUR millions)**	**1/1 – 12/31/2020 (EUR millions)**
Result in “Equities and Index Risk” Trading Book	- 66.2	- 14.5
Result in “Currency Risk” Trading Book	171.9	85.0
Value at Risk Adjustment	- 9.2	- 0.6
Total trading result	**96.5**	**69.9**

The positive result generated from the “Currency Risk” Trading Book consists mostly of the results from OTC currency trades and exchange-traded currency futures transactions with USD, GBP and JPY underlyings. The net income from financial trading operations includes total net income from currency translation of EUR 136.9 million (1/1-12/31/2020: EUR 21.7 million).

3.2.4 Other operating income

This line item includes primarily income earned from passing through expenses to the shareholder in the amount of EUR 25.4 million (1/1-12/31/2020: EUR 63.6 million), which arose during the course of the continued expansive shift of the client and transactions business to CGME. These cost-sharing measures encompass primarily transaction and stock exchange fees. The item also includes mostly income from passing through expenses to affiliated enterprises in the amount of EUR 24.7 million (1/1-12/31/2020: EUR 14.3 million) as well as income from turnover tax refunds in the amount of EUR 1.3 million (1/1-12/31/2020: EUR 4.7 million).

3.2.5 Other administrative expenses

The “Other administrative expenses” item, as compared to the prior year, is set forth below:

Other administrative expenses	**1/1 – 12/31/2021 (EUR millions)**	**1/1 – 12/31/2020 (EUR millions)**
Stock exchange fees	44.2	27.4
Custody fees	36.9	13.8
Expenses from group offsetting	34.2	16.0
Pass-through costs affiliated enterprise	21.5	11.8
Legal, auditing and consulting costs	20.8	7.6
Transaction fees	18.9	8.7
Bank fees	10.3	3.2
Turnover tax	9.9	3.8
Rent expenses	8.4	5.7
Costs for using market data	7.7	7.0
Costs for temporary staffing	3.6	2.3
Client solicitation	2.7	3.1
Travel costs and telephone costs	2.3	3.5
Maintenance and repairs	1.4	0.4
Miscellaneous	9.0	8.5
Total	**231.8**	**122.8**

3.2.6 Other operating expenses

This item includes primarily expenses and income from the valuation of pension obligations as well as corresponding plan assets (netting) in the amount of EUR 7.5 million for Rose (1/1-12/31/2020: EUR 9.8 million) and in the amount of EUR 4.4 million for PRS (1/1-12/31/2020: EUR 1.8 million).

3.2.7 Income and expenses related to other accounting periods

Other operating income includes income related to other accounting periods that is based on turnover tax refunds triggered by the findings from an audit for the years 2009 - 2012 (EUR 1.3 million) as well as rent receivables held against affiliated enterprises (EUR 0.5 million).

Non-period expenses relating to the years 2018 through 2020 and totaling EUR 1.3 million are shown under the line item, “Taxes on Income and Earnings”.

4 Miscellaneous Notes

4.1 Derivative financial instruments

Types of derivatives transactions

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

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

Trade volumes of derivatives and futures transactions

The total volume of derivatives transactions based on the terms to maturity as of December 31, 2021 is set forth as follows:

- **"Foreign Currency Risks" trading book**

	< 1 year nominal amount	**1-5 years nominal amount**	**> 5 years nominal amount**	**Total nominal amount**	**Market value**
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
OTC-currency options and currency swaps					
Bought	62,023	30,220	15,808	108,050	3,190.0
Sold	51,487	30,265	14,607	96,359	- 3,185.9
Currency warrants own issues					
Bought	281	1,818	-	2,099	177.3
Sold	340	1,860	-	2,200	- 182.0
Exchange-traded currency futures					
Bought	17,049	907	7	17,963	467.9
Sold	16,959	889	7	17,855	- 465.9

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

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

Type of transaction	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity warrants own issues					
Bought	9,763	12,644	-	22,407	7,808.4
Sold	13,032	15,941	-	28,973	- 8,473.1
OTC-stock options and equity swaps					
Bought	11,676	7,854	3,918	23,448	992.7
Sold	12,138	7,609	3,767	23,514	- 984.7
OTC-index options and index swaps					
Bought	43	2	-	45	16.5
Sold	43	2	-	45	- 16.5
Index warrants own issues					
Bought	11,352	21,329	-	32,681	3,428.6
Sold	12,481	21,795	-	34,276	- 3,487.0
Exchange-traded index futures					
Bought	244	-	-	244	3.8
Sold	88	-	-	88	- 0.6
Exchange-traded index options					
Bought	1,354	4	-	1,358	9.5
Sold	250	2	-	252	- 5.5
Exchange-traded stock options					
Bought	2,642	2,058	-	4,700	471.7
Sold	80	2	-	82	- 15.8
Index and equity certificates own issues					
Bought	188	133	-	321	331.9
Sold	548	149	-	697	- 718.2

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

- **Interest rate transactions**

	< 1 year nominal amount	**1-5 years nominal amount**	**> 5 years nominal amount**	**Total nominal amount**	**Market value**
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
OTC interest options and interest rate swaps					
Bought	37,888	142,685	152,804	333,377	27,998.2
Sold	37,792	143,019	153,845	334,656	- 27,949.5

- **Other Trading Operations**

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	**EUR in millions**	**EUR in millions**	**EUR in millions**	**EUR in millions**
OTC options and swaps on commodities, base and precious metals					
Bought	4,540	2,026	14	6,580	1,524.6
Sold	4,540	2,019	14	6,573	- 1,524.5
Warrants on commodities and precious metals **own issues**					
Bought	34	432	-	466	137.8
Sold	75	442	-	517	- 142.0
Exchange-traded futures on commodities and precious metals					
Bought	17	-	-	17	0.3
Sold	-	-	-	-	- 0.0

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

Counterparty risk in derivatives trading

As of December 31, 2021, the credit equivalents under the CRR (Capital Requirements Regulation), before credit/risk weighting and after regulatory netting, are shown in the trading book as follows:

Credit risk	Central banks	Central governments	Institution	Company	Private persons as well as public authorities
Derivative	**Credit equivalent (EUR in millions)**				
Counterparty Credit Risk	90.5	825.9	6,287.6	12,562.4	-
Total	**90.5**	**825.9**	**6,287.6**	**12,562.4**	**-**

Non-settled forward transactions

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

4.2 Recommendation for the use of the unappropriated balance sheet profit

The Executive Board recommends allocating the annual net profit, as shown as of December 31, 2021 and equaling EUR 16,899,362.04, into the earnings reserve account.

4.3 Cash Flow Statement

CGME refinances itself primarily within the Citigroup Group. Cash investments and other financial investments are made exclusively in the short-term segment. Apart from that, we refer to the Bank’s cash flow statement as set forth below:

Cash Flow Statement per German Accounting Standard No. 21	Fiscal Year 1/1/21-12/31/2021 kEUR	Fiscal Year 1/1/20-12/31/20 kEUR
Annual Net Profit	**16,899**	**16,850**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	5,297	1,882
Changes in accruals	-60,884	47,875
Change in other non-cash expenses/income	-	-
Gain/loss from the sale of financial and tangible assets	3	16
Other adjustments (in net terms)	31,917	53,744
Subtotal:	**-6,768**	**120,367**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	-203,751	-1,356,547
- from clients	-11,039,294	-8,185,350
Trading portfolio assets	-998,916	-37,818,587
Other assets from current operating activities	-1,341,247	-6,628,926
Liabilities:		
- owed to banks	1,590,095	159,588
- owed to clients	9,334,993	8,143,769
Securitized liabilities	-	-
Trading portfolio liabilities	1,222,016	37,421,380
Other liabilities from current operating activities	-37,939	7,648,942
Interest and dividend payments received	155,392	15,302
Interest paid	-175,483	-47,367
Income tax payments	-11,826	-21,679
Cash flow from current operating activities	**-1,512,728**	**-549,108**
Payments received from the outflow of		
- Financial assets	101,628	2,375
- Tangible assets	160	26
Payments made for investments in		
- Financial assets	-	-4,329
- Tangible assets	-7,080	-793
Payments received from the sale of consolidated companies and other business units	-	-
Payments made for the purchase of consolidated companies and other business units	-	-
Change in cash resources based on investing activities (in net terms)	-	-
Cash flow from investing activities	**94,708**	**-2,721**
Payments received from contributions to equity capital	1,418,020	551,829
Payments made to company owners:		
- Dividend payments	-	-
- Other outgoing payments	-	-
Change in cash resources other capital (in net terms)	-	-
Cash flow from financing activities	1,418,020	551,829
Cash and cash equivalents at the end of previous period	**0**	**0**
Cash flow from current operating activities	-1,512,728	-549,108
Cash flow from investing activities	94,708	-2,721
Cash flow from financing activities	1,418,020	551,829
Cash and cash equivalents at the end of the period	**0**	**0**

4.4 Other financial obligations

The other financial obligations for the next years equal EUR 20.2 million. These obligations are mainly obligations arising from rental and lease commitments for certain office spaces.

4.5 Information about the business relations with related enterprises and parties

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

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

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

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

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

[1] Reference is also made to the Executive Board report on relationships with affiliated enterprises in accordance with §§ 312 *et seq.* AktG for the Fiscal Year January 1 through December 31, 2021.

4.6 Information on deferred taxes

A combined tax rate of 31.93% was used to calculate deferred taxes. A netting (offset) of deferred tax assets against deferred tax liabilities yielded a surplus of assets, which pursuant to § 274 (1) of the HGB was not recognized. Deferred tax assets arose mainly in connection with the measurement of other assets and with the creation and valuation of provisions (accruals).

4.7 Fee for the annual accounts auditor

The total fees charged by the annual accounts auditor for the Fiscal Year encompass the annual accounts auditing services (EUR 1.8 million), expenditures incurred (EUR 0.0 million), other certification work (EUR 0.0 million), tax advisory services (EUR 0.0 million) and other consulting services (EUR 0.0 million).

4.8 Group affiliation

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

4.9 Branches

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

4.10 Governing bodies (officers and directors) of the Company

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

- Ms. Kristine Braden, Frankfurt am Main, CEO, Bank Director, Chairperson
- Mr. Stefan Hafke, Kelkheim, Corporate/Commercial Banking and CCO, Bank Director, until November 30, 2021
- Mr. Andreas Hamm, Dreieich, COO, Bank Director, until December 31, 2021
- Mr. Christian Spieler, Bad Homburg, Treasury / Markets, Bank Director, until March 31, 2021
- Mr. Peter Kimpel, Frankfurt am Main, BCMA, Bank Director, since December 1, 2021
- Ms. Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Legal, Bank Director,
- Ms. Sylvie Renaud-Calmel, Paris, Bank Director, since November 15, 2021
- Mr. Oliver Russmann, Bad Vilbel, CFO, Bank Director,
- Ms. Amela Sapcanin, Frankfurt am Main, CRO, Bank Director,
- Ms. Jean Young, Königstein im Taunus, O&T, Bank Director, since January 1, 2022.

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

- Ms. Dagmar Kollmann, Vienna, independent Supervisory Board Member, Chairperson since December 1, 2021
- Ms. Barbara Frohn, London, Bank Director, Citigroup Global Markets Limited, London, Chairperson, Deputy Chairperson since November 1, 2021,
- Mr. Stefan Wintels, Frankfurt am Main, Bank Director, Deputy Chairperson, (until July 16, 2021)
- Mr. Leonardo Arduini, London, Bank Director, Citigroup Global Markets Limited, London
- Mr. James Bardrick, Coggeshal Hamlet, Bank Director, CEO, Citigroup Global Markets Limited, London
- Mr. Tim Färber, Kelsterbach, Bank Employee, Employee Representative
- Mr. Dirk Georg Heß, Friedrichsdorf, Bank Employee, Employee Representative.

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

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

4.11 Board member remuneration

Total remuneration for members of the Executive Board in the Fiscal Year (including granted stock options) was EUR 5.6 million. As of the end of the Fiscal Year, pension obligations totaled EUR 2.3 million.

Due to the stock-based remuneration, approximately 20 thousand shares in an amount totaling USD 1.3 million, which is roughly equivalent to EUR 1.1 million, were granted as variable compensation.

The total remuneration for the former members of management bodies and their survivors in the reporting year totaled EUR 5.5 million. Funds set aside for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled EUR 11.6 million. As already stated in subsection 3.1.9 above ("Accruals for pensions and similar obligations"), the pension obligations owed to retirees were transferred to the MPF.

In the recently completed Fiscal Year, expenses for supervisory board compensation benefits in the amount of kEUR 101.4 were incurred. CGME is exercising its elective right under § 286 (4) HGB regarding disclosures about provisions (accrued liabilities) for current pensions and pension expectancies (*Anwartschaften*) of the Supervisory Board members under § 285 (9b) HGB.

The advisory board (*Beirat*) was dissolved effective December 31, 2020. In the Fiscal Year, the members of the advisory board received EUR 0.4 million in remuneration for the advisory work they performed in 2020.

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

4.12 Employees

During the Fiscal Year, CGME employed an average of 517 persons. Of that amount, 499 were full-time employees and 18 persons were part-time employees. No trainees were on staff.

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

	2021	2020
Citigroup Global Markets Europe AG	249	220
Citigroup Global Markets Europe AG France Branch	127	102
Citigroup Global Markets Europe AG Spain Branch	50	47
Citigroup Global Markets Europe AG Italy Branch	54	47
Citigroup Global Markets Europe AG UK Branch	37	8
Total	**517**	**424**

Frankfurt am Main, April 7, 2022

Citigroup Global Markets Europe AG

Kristine Braden (CEO)

Peter Kimpel

Dr. Jasmin Kölbl-Vogt

Sylvie Renaud-Calmel

Oliver Russmann

Amela Sapcanin

Jean Young

INDEPENDENT AUDITOR'S REPORT

To Citigroup Global Markets Europe AG, Frankfurt am Main, Germany

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

AUDIT OPINION

We have audited the annual financial statements of Citigroup Global Markets Europe AG, Frankfurt am Main, — comprising the balance sheet as at December 31, 2021 and the profit and loss statement for the financial year from January 1, 2021 to December 31, 2021 and notes to the financial statements, including a description of the company's accounting policies.

In addition, we have audited the management report of Citigroup Global Markets Europe AG for the financial year from January 1, 2021 to December 31, 2021. In accordance with German statutory provisions, we have not audited the components of the management report under "OTHER INFORMATION".

In our opinion, based on the findings of our audit,

- the accompanying financial statements comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to corporations and give a true and fair view of the company's financial position as at December 31, 2021 and the results of operations for the financial year from January 1, 2021 to December 31, 2021 in accordance with German generally accepted accounting principles and
- the management report presents a true and fair view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the components under "OTHER INFORMATION" in the management report.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations with respect to the propriety of the annual financial statements and the management report.

BASIS FOR THE AUDIT OPINION

We have carried out our audit of the annual financial statements and the management report in accordance with Section 317 HGB and EU Audit Regulation (No. 537/2014; hereinafter referred to as "EU Audit Regulation"), in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer; IDW). Our responsibilities under these regulations and principles are described in greater detail in the section "STATUTORY AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT" of our Auditor's Report. We are independent of the company in accordance with the requirements of European and German commercial law and the rules of professional conduct, and we have fulfilled our other German professional obligations in accordance with these requirements.

In addition, in accordance with Article 10 (2) (f) of EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as laid down in Article 5 (1) of EU Audit Regulation.

We are of the view that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements and the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were taken into account in connection with our audit of the annual financial statements as a whole and in the formation of our audit opinion thereon; we do not express any separate audit opinion on these matters.

We have identified the following matter as a key audit matter:

VALUATION OF FINANCIAL INSTRUMENTS HELD FOR TRADING WITH INPUT PARAMETERS NOT OBSERVABLE IN AN ACTIVE MARKET

Facts

As of December 31, 2021, Citigroup Global Markets Europe AG reports trading assets of EUR 47,750 million (56.9% of total assets) and trading liabilities of EUR 47,725 million (56.9% of total assets).

Transactions in the trading portfolio are initially measured at cost. In accordance with Section 340e (3) HGB, they are subsequently measured at fair value less a risk discount. Transactions in the trading portfolio relate to issues of warrants and certificates, the associated hedging transactions, e.g. OTC and exchange-traded derivatives, as well as any repurchases from market-making activities. The trading portfolio also includes derivative financial instruments as well as equities and other non-fixed income securities.

In some cases, no market prices can be observed for warrants, certificates and OTC derivatives. The fair values must then be determined on the basis of recognized valuation methods. The selection of valuation models and their parameterization are subject to discretion. As the subsequent measurement of financial instruments held for trading with input parameters that are not observable in an active market is highly dependent on assumptions and judgments due to the complexity of the valuation methods and models used, and trading assets and liabilities represent the largest balance sheet items, we have identified this matter as an audit matter of particular significance.

The disclosures on the accounting policies and the composition of the derivative transactions in the trading portfolio are included in the notes to the financial statements in section "3 Accounting policies" and subsection "4.1.3 Trading portfolio assets and liabilities".

Audit response and findings

Based on our risk assessment and evaluation of the risks of error, we have based our audit opinion on both control-based and test-based audit procedures. Accordingly, we performed the following audit procedures:

We first obtained a comprehensive understanding of the development of the financial instruments held for trading, the related risks and the internal control system in relation to the valuation of the financial instruments held for trading. In order to assess the adequacy of the internal control system with regard to the valuation of financial instruments for which no market prices are observable, we made inquiries and inspected the relevant documents.

We have assessed the effectiveness of the relevant controls of the internal control system of the Company for the valuation of these financial instruments, in particular with regard to the price verification independent of the trading area as well as the model validation.

In addition, our valuation specialists performed an independent revaluation as of the balance sheet date for selected financial instruments of the trading portfolio in a deliberate selection and a supplementary sample and compared the results with the values determined by the bank.

On the basis of our audit procedures, we were able to satisfy ourselves that the valuation models used by the legal representatives to determine the fair values of the trading portfolios for which no prices are observable on the market are appropriate and in accordance with the applicable valuation principles. Overall, the Company's valuation parameters on which the valuation is based are appropriate.

OTHER INFORMATION

The statutory representatives are responsible for the other information. The other information includes:

- the corporate governance statement contained in section 6.1. of the management report,
- the information contained in section 6.2. of the management report that is unrelated to the management report regarding sustainability.

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

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

- is materially inconsistent with the financial statements, the management report or our audit findings, or
- appears to be otherwise materially misstated.

RESPONSIBILITY OF THE STATUTORY REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The statutory representatives of the company are responsible for the preparation of these annual financial statements which shall comply in all material respects with the provisions of the German Commercial Code (HGB) applicable to corporations and give a true and fair view of the company's financial position and results in accordance with German generally accepted accounting principles. Furthermore, the statutory representatives are responsible for the internal control system, which they consider to be necessary in accordance with the German generally accepted accounting principles to ensure that the financial statements are free from material misstatements, whether intentional or unintentional.

When preparing the financial statements, the statutory representatives are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for preparing the financial statements on a going concern basis, unless there are factual or legal circumstances that prevent them from doing so.

The statutory representatives are also responsible for the preparation of the management report that as a whole provides an appropriate view of the company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Furthermore, the statutory representatives are responsible for such arrangements and measures (systems), which they consider to be necessary in accordance with the German statutory requirements to facilitate the preparation of the management report and to provide sufficient evidence for the assertions in the management report.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

It is our aim to obtain reasonable certainty on the question of whether the annual financial statements as a whole are free from any significant misstatements, whether intentional or unintentional, and whether the managementreport gives an overall accurate view of the Institution’s position and in all material respects is consistent with the annual financial statements and the findings of the audit, complies with German statutory requirements, and accurately reflects the opportunities and risks of future development, and to issue an auditor's report which contains our audit opinion of the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

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

- identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of the internal control system relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the statutory representatives.
- draw conclusions on the appropriateness of the statutory representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s continuing viability as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements and the management report or, if such disclosures are inadequate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances may impair the company's viability as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the financial position and results in accordance with German generally accepted accounting principles.
- assess whether the management report is consistent with the annual financial statements, conforms with applicable laws and regulations, and whether it gives a true and fair view of the Institution’s position.
- perform audit procedures on the forward-looking statements made by the statutory representatives in the management report. On the basis of sufficient and appropriate audit evidence we verify, in particular, the significant assumptions used by the legal representatives underlying the forward-looking disclosures made by the legal representatives, and assess the proper derivation of the forward-looking disclosures from these assumptions. We do not issue a separate opinion on the forward-looking disclosures and on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the forward-looking statements."

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were most significant in the audit of the financial statements for the current period and that are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER STATUTORY AND LEGAL REQUIREMENTS

OTHER INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF EU AUDIT REGULATION

We were elected as auditors by the shareholders' meeting held on April 27, 2021. We were engaged by the chairwoman of the Supervisory Board on November 19, 2021. We have been the statutory auditor of Citigroup Global Markets Europe AG since the 2021 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The auditor responsible for the audit is Caroline Gass.

Frankfurt am Main, 26 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Grunwald
Auditor

signed Gass
Auditor