Citigroup Global Markets Europe AG
Frankfurt am Main

Management Report and Annual Financial Statements
as of December 31, 2022

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

For the financial year 1 January to 31 December 2022

The past financial year featured significant geopolitical challenges, supply chain disruptions, volatile markets, inflationary pressures to name but a few, which affected the operating environment for Citigroup Global Markets Europe AG ('CGME' or 'the bank'). The Supervisory Board has been impressed by the way CGME guided clients through unprecedented change and was able to manage the implications of the war in Ukraine during the first post-Covid 19 pandemic year.

The sound leadership of the Management Board helped CGME to navigate the associated 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 clear and reassuring sign of the bank's resilience and ability to adapt.

Monitoring and Consultation in an Ongoing Dialog with the Management Board

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

No changes to CGME's operating model or target markets have occurred in 2022 except for the establishment of a sub-branch of the Spain branch in Malaga and the decision to de-license the UK branch.

In Q2 2021, CGME commenced preparations for the license application for the re-authorisation as Capital Requirements Regulation (CRR) Credit Institution. In October 2022, CGME reached this significant milestone by obtaining the required CRR Credit Institution license granted by the ECB and, as a result, became subject to ECB´s direct supervision under the Single Supervisory Mechanism (SSM). Certain conditions were included in the CGME`s CRR Credit Institution license which are being addressed by the Management Board and the Supervisory Board.

CGME continued to participate in the ECB Desk Mapping Review and has been subject to two transitory audits, the Internal Models Approach Onsite Inspection and the Section 44 Special Focus Audit on trading and risk management. During this time, CGME significantly uplifted its processes and frameworks to ensure compliance with newly applicable supervisory expectations, EBA guidelines and applicable regulations related to its new status of CRR Credit Institution.

BaFin issued a special audit focus to be considered as part of the Securities Trading Act Section 89 audit performed by KPMG on the trade incident of 2nd May 2022. KPMG's audit was finalized in December 2022, with differences of opinion remaining over findings raised by KPMG. Going forward, any further interaction will take place with BaFin directly.

In addition, CGME has been focusing on strengthening its operational resilience through the development of a detailed escalation process such as the CGME Significant Cyber Incident Reporting Procedure launched in February 2023. Additionally, the energy crisis triggered a full assessment of risks and vulnerabilities resulting in Project Cardinal with a focus on transfer of work from the processing hubs in Poland and Hungary for franchise critical processes.

The ongoing European Target Operating Model project and its implications for CGME as well as the prevailing market environment 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 business development, strategy, 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 topics. The Supervisory Board deliberated on these matters, with experts and the Management Board. The main topics included, among others:

- Submission of the CRR Credit Institution license application and the associated Strategic Plan,
- ECB Desk Mapping Review,
- ESG related activities and CGME`s implementation
- Data Governance / BCBS 239 related activities
- CGME / CEP legal entity alignment project,
- The capital plan and the ‘path to profitability’,
- The strategic plan and the organisational structure of the company,
- CGME resolvability,
- Risk management: comprehensive status updates of the risk inventory and a forward-looking overview of enhancements to risk governance, emerging risks and issues,
- The de-licensing of the UK branch which will take place in July 2023 and the continuation of the UK branch as an entity conducting unlicensed activities in Operations, Finance and Legal, amongst others,
- The establishment of a sub-branch of the Spain branch in Malaga.

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

The Supervisory Board monitored and challenged the management of the bank in accordance with the provisions in applicable laws, the Articles of Association of the bank and the Rules of Procedure for the Supervisory Board.

Supervisory Board Meetings

The Supervisory Board consists of 6 members under the Articles of Association. The composition of the Supervisory Board has not changed in the reporting year.

The Supervisory Board met for five 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 two occasions. In addition, the Supervisory Board held four extraordinary meetings.

Committees

The Supervisory Board established a Risk Committee, an Audit Committee and a Nomination Committee in early 2022 in addition to the Remuneration Committee which had been established in Q3 2021. Charters were developed and agreed upon in the inaugural meetings of the newly established committees in May.

Risk Committee
An informal dialogue with the Chief Risk Officer followed by the Risk report were set standing items of each Risk Committee. In its three meetings in 2022, the Risk Committee focused on CGME’s risk appetite alignment to the bank’s strategy and developments in business and the client base. In this context, the Risk Committee addressed the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment process, internal and (preparations for) external stress testing, and discussed deep-dives into CGME’s key business lines, both from a strategy and risk and

controls perspective. Similar deep-dives were undertaken on the different risk stripes on a rotating basis. In addition, the Risk Committee focused on the preparedness for ECB supervision.

The Risk Committee addressed the changing risk environment in connection with the geopolitical situation and the change in the inflation situation, by looking into the potential effects on and the measures taken in response by the bank. This covered the impacts on the bank's capital, risk, liquidity and profitability situation while taking into account, inter alia, adverse scenarios within the framework of internal stress testing.

Audit Committee
The Audit Committee met three times in 2022. The Audit Committee supported the Supervisory Board in monitoring the financial reporting process, worked closely with and addressed "lessons learned" with the new year-end auditor BDO Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.
The Audit Committee has established a structure of standing reports by the relevant functions, namely: Informal dialogue with the Chief Audit Executive, update from the external auditor, quarterly Internal Audit report, Compliance, Sanctions and Legal report, updates from Finance and Operations / Technology. The Audit Committee was kept up-to-date by Internal Audit on its reporting methodology, the audit plan, individual audits and findings and its resources. It addressed measures taken by the Management Board to remediate deficiencies identified by the external auditor and by Internal Audit and regularly received updates on internal findings management as well as the status of, and progress on, the remediation of findings.

Remuneration Committee
The Remuneration Committee met six times in 2022. The Remuneration Committee has considered the performance assessment and the remuneration of the individual Management Board members, 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. The Remuneration Committee discussed and evaluated the results of a benchmarking exercise conducted by an external consultancy in a separate meeting. Furthermore, the Remuneration Committee monitored the appropriate structuring of the remuneration systems for CGME employees.

Nomination Committee
The Nomination Committee met three times in 2022. Topics pertaining to the appointment of members of the Management Board of CGME and the newly established diversity policy were dealt with. The Committee addressed issues relating to succession planning and appointments while considering statutory and regulatory requirements, and it nominated candidates for the Management Board. The Committee reviewed the contractual framework for Management Board appointments (external vs. internal hires, tenure, etc.). Towards the end of 2022 and in anticipation of the resignation of the CEO of CGME at year-end the Committee prepared a stringent CEO selection process and members of the Supervisory Board were part of the interview panel. The Nomination Committee will continue to focus intensively on succession planning and personnel matters in light of the anticipated changes in composition of the Management Board in 2023.

Efficiency Review

The Supervisory Board reviews the efficiency of its activities every year in the form of a self-assessment. To this end, the Chair of the Supervisory Board conducted a written survey and individual meetings with each of the Supervisory Board members in the first quarter of 2022 on the basis of a detailed questionnaire covering the entire range of relevant Supervisory Board topics.

These included, in particular, the preparation and conduct of Supervisory Board meetings, the content and topics of the meetings, cooperation within the Supervisory Board and the Management Board and the auditor. The results of these dialogs, including suggestions to further improve the Supervisory Board's work, were presented by the Chair at the Supervisory Board meeting on 27th April 2022, and thoroughly discussed by the members of the Supervisory Board.

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Personnel

Kristine Braden stepped down as CEO of CGME on 31st December 2022 and will become the CEO of CEP subject to ECB clearance. Until Silvia Carpitella, who was selected as successor for the role within the Management Board, will be approved by the ECB and appointed, Jasmin Koelbl-Vogt serves as interim CEO. Silvia Carpitella has extensive experience, having served on various Citi legal entity Boards and maintained longstanding interactions with national regulators, ECB and the Single Resolution Board, and is an invaluable addition to the leadership of CGME. Silvia Carpitella held the CFO and Management Board member position with CGME from 2015-2019.

Financial Statements

The annual financial statements and the management report for the financial year beginning on 1st January 2022 and ending on 31st December 2022 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. This also considers the change in accounting methodology for settlement date accounting and OTC derivative netting which led to a reduction of CGME's balance sheet size under local GAAP from EUR 87 billion to EUR 43 billion.

The Supervisory Board approves the BDO audit report and has noted a marked improvement compared to 2021, 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.

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 28th April 2023.

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 unprecedented change.

Frankfurt, 28th April 2023

The Supervisory Board

Dagmar Kollmann

- Chair of the Supervisory Board –

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Citigroup Global Markets Europe AG, Frankfurt am Main

Management Report for Fiscal Year 2022

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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 a 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, *inter alia*, 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.

The business model of CGME addresses the product and service needs of its clients and is largely shaped by Citigroup's post-Brexit strategy and the regulatory requirements related thereto. In connection with its business activity, CGME benefits particularly from its integration into the global network of Citigroup, which enjoys a presence in over 150 countries.

The CGME banking activities are completely integrated in Citigroup's global platform. In order to advise its client base as well as possible, CGME interacts and cooperates closely with Citibank Europe plc., Dublin/Ireland, (CEP) and other Citigroup affiliates in order to guarantee a holistic client approach in which the EEA clients are offered the complete range of Citigroup product options broadly across all banks. The CGME strategy here is based on the principles and, with respect to the Stock Exchange and Central Counterparty Clearing House memberships, on facilitating access to global markets for EEA clients and entry into the European markets for global client.

The CGME business is focused on the European Economic Area (EEA), whereby the client-related services and financial products are aligned with those of the sole shareholder, "Citigroup Global Markets Limited, London/UK" (CGML).

In the "corporate client segment", the target clients of CGME consist of publicly-listed national and multi-national companies from all industries as well as comparable companies and enterprise groups with a private shareholder base. Moreover, CGME maintains active client relationships with Germany's largest banks (private and commercial banks, public sector institutions), asset managers, pension funds and insurance companies. It also 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 sector institutions.

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

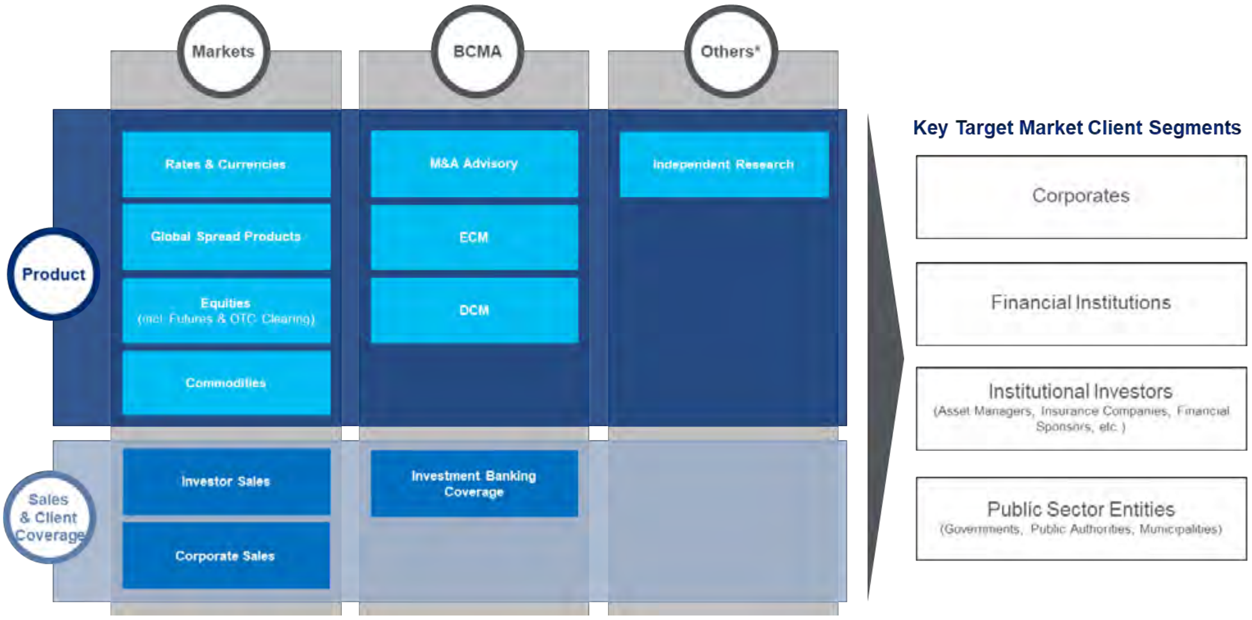
The **focus of CGME's business activities** is on the following business fields (*Geschäftsfelder*):

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

which offer clients the following product-oriented financial services:

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

Background Information about the Bank



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

"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 provides 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)
Rates Products	• Market Making in interest-bearing highly liquid and derivative financial products • Trading in government and other bonds, interest and cross-currency Swaps as well as other derivative und 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-Business	• Services in connection with the issuance of shares, convertible bonds, publicly-listed and equity-based OTC derivatives and structured products, securities financings and ETFs • Securities lending
Futures, OTC Clearing as well as FX Prime Brokerage ("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 Business	• Services in connection with hedging trades for Investors in the European Economic Area • Spot products as well as OTC derivatives, e.g. (swaps, options, forwards, swaptions) with the commodities as underlyings (e.g. metals, electricity, gas, coal, oil)
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.

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 Management Board (“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 and their consequences for the world economy including the goods and financial markets.

The actual economic 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 existing and unchanged uncertainties related to the lingering 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

Fundamental principles under the corporate policy

Our core business policy generally tracks the following global principles:

- objective approach with regard to the assessment and establishment of the business divisions for preserving and ensuring CGME's leading market position
- deployment of resources in profitable business sectors and relinquishment of less profitable business fields
- coordination and reconciliation of the business divisions with one another and creation of synergies
- Simplification of the business to create value for shareholders.

Business strategies and subgoals

The CGME business strategy, which is predicated on the principles – 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 2023 through 2025 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. To this end, the fundamental strategic objectives and measures were defined as follows:

Background Information about the Bank

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

- **Winning over clients and gaining market share**
  - **“BCMA” business field**
    - *Content of the strategic goal*
      - ❖ *“Growth in the ‘Debt Capital Market’ (“DCM”), ‘Equity Capital Markets’ (“ECM”) as well as ‘Mergers and Acquisitions’ businesses in an effort to hold or strengthen the leading market position“*
    - *Crucial sub-goals and measures*
      - ❖ *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 field**
    - *Content of the strategic objective*
      - ❖ *“Striving to become a market leader in the business field”*
    - *Crucial sub-goals and implementation measures*
      - ❖ *Securing a role as the “first” 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.*
- **Project “TAURUS”**
  - *Content of the strategic goal*
    - ❖ *“Adjusting the competitiveness post BREXIT and creating dynamic business capabilities”*
  - *Crucial sub-goals and implementation measures*
    - ❖ *Expanding the product range within the framework of the CRR license*
    - ❖ *Further adjusting the organizational structures and business activities and operating business units to accord with the requirements tied to the CRR license.*
- **Proactive risk management in conformity with the existing risk appetite and risk-bearing (capital) capacity**
  - *Crucial sub-goals and implementation measures*
    - ❖ *Assignment of responsibilities within CGME with regard to global transformation programs and evaluation of the effects on corporate organization (general implementation program)*
    - ❖ *Implementation of special programs and projects (e.g., BCBS 239, Project “CARDINAL”)*
    - ❖ *Ensuring suitable staff that has the requisite professional skills and competence*

- **Ensuring the promotion of a solid management structure including other social aspects with regard to technical skills of the employees and culture**
  - *Crucial sub-goals and implementation measures*
    - *Ongoing focus on recruiting and promoting talent in the individual business divisions*
    - *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.*
- **Project "CARDINAL"**
  - *Content of the strategic objective*
    - *"Navigating and managing the energy crisis"*
  - *Crucial sub-goals and implementation measures*
    - *Developing a detailed escalation system for investigating and assessing weaknesses using triggering criteria*
    - *Measuring the resilience of existing risks.*
- **Strengthening the Bank's own governance structures to support agile decision-making**
  - *Crucial sub-goals and implementation measures*
    - *Ensuring a strong and coherent management team (Executive Board and Supervisory Board)*
    - *Strengthening corporate governance by implementing internal Citigroup standards with regard to corporate management and risk management.*
- **External presentation and reputation**
  - *Crucial sub-goals and implementation measures*
    - *CGME wishes to participate more intensively in the implementation of regulatory changes*
    - *Leveraging specific media to publicize favorable news from the business divisions*
    - *Uniform portrayal within the European network of Citigroup*
- **Close cooperation with the regulatory authorities**
  - *Crucial sub-goals and implementation measures*
    - *Successful implementation of the regulatory requirements owed by a CRR credit institution*
    - *Nurturing the relations with the regulatory authorities (e.g., ECB, BaFin and the German Bundesbank)*
- **Offering industry-leading digital and ESG solutions**
  - *Crucial sub-goals and implementation measures*
    - *Establishing an ESG Working Group*
    - *Executing the ESG Implementation Plan*

Key financial and non-financial performance indicators

Based on the individual strategic plans for the years 2023 to 2025, 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" business division

The **"Markets"** division 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". In this regard, 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 field. The product portfolio includes both structured financial instruments and simple flow transactions (*Flowgeschäfte*). In addition to foreign exchange business development, this corporate division is also the organizational home for warrants trading and CGME's short-term liquidity management.

"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 and transaction 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.

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

1.2.4 Banking, Capital Markets & Advisory (BCMA)

The "**BCMA" business division** encompasses the advisory work for clients (e.g., companies, financial institutions, public sector) across all products by coordinating activities of all products and services to which these clients avail themselves with Citigroup throughout the world. The "BCMA" business division advises on 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 division is organizationally divided into the "ECM" (Equity Capital Markets) and the "DCM" (Debt Capital Markets) segments.

Based on its long-established and ongoing client relationships and its closely-meshed cooperation with the "Markets" 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. We offer institutional clients a wide a broad spectrum of advisory and financial services. Citigroup's global presence represents a decisive advantage in this regard.

The episodic business encompasses primarily M&A advisory services 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 economic trends and 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 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)

The independent research services in the "EMEA" region (Europe, Middle East and Africa) have been provided by CGME to the Citigroup clients in Europe since the beginning of 2021. 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.

1.2.6 ESG strategy

The climate crisis is one of the greatest challenges facing our global community and economy in the 21st century. The data are irrefutable, and the world's climate scientists agree that urgent action must be taken to address the current and potential impacts of climate change.

The financial sector has an important role to play in addressing this crisis by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and governance (ESG) needs of our society. Citigroup and CGME recognize that it is essential to respect and support the environment and human rights in business, supply chain, and client operations. With this in mind, Citigroup launched the "Decade of Action" project to achieve the 17 United Nations Sustainable Development Goals (SDGs) and the Paris Agreement targets. Citigroup adheres to internationally recognized principles for sustainable business and banking, including the principles of the UN Global Compact, the UN Principles for Responsible Banking, and the UN Guiding Principles on Business and Human Rights.

To us, being sustainable means translating our own values and strategy into a daily and credible ESG commitment to internal and external stakeholders.

In this section, we define "sustainable finance" as any form of financial structure and/or service that promotes positive environmental and/or social causes while contributing to the achievement of the UN Sustainable Development Goals (SDGs), the Paris Agreement targets, and the agreements reached during climate conferences.

In this connection, CGME's "ESG Strategy" outlines its own "ESG Vision" and "ESG Values" as well as the risks and opportunities arising from the climate crisis. The strategy aims to clearly define the approach and objectives and determine their implementation in a detailed action plan with short-, medium- and long-term goals. It takes into account ESG-specific risks and their impacts, and establishes a process for measuring and monitoring these risks by defining specific key performance indicators (KPIs). In order to be transparent to internal and external stakeholders, we are committed to disclosing relevant and material information as part of our non-financial reporting and disclosure of the EU taxonomy. In this connection, we have implemented ESG governance to realize the defined goals and commitments, while ensuring effective ESG risk management across all CGME functions and business divisions.

1.3 System of Controls

Value-based management concept

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

Control size thresholds

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 92% for the years 2023 through 2025.

The **capital adequacy** is calculated according to the principles of the Minimum Requirements for Risk Management of the Banks, which are 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.

Governance

The corporate culture at Citigroup and CGME 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, we are able to strengthen this culture by:

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

The strategic and operational decisions are made by the CGME Executive Board, and their implementation is monitored by the Supervisory Board. The Executive Board meetings are held at least once each month, and 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 2022

In light of the continued expansion of CGME's business operation in fiscal year 2022 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 an equity capital contribution in the most recently completed fiscal year in the amount of USD 500 million (approx. EUR 487 million) pursuant to § 272 (2) no. 4 of the German Commercial Code (HGB).

Furthermore, in December of 2022, the Bank transferred existing company pension obligations, which are owed to company pensioners in the amount of approximately EUR 38 million, to the Metzler Pensionsfonds as part of a change in implementation (*Durchführungswegwechsels*).

As a result of the further expansion of its business operation, CGME has surpassed the relevant significance threshold of EUR 30 billion and was therefore, upon application made, licensed as a CRR credit institution in 2022 and has been subject to the supervision of the European Central Bank since October 18, 2022.

2 Economic Report

2.1 Overall Economic Development

Increasing inflation and slowdown of global economic growth in 2022

The global economic development in fiscal year 2022 was significantly impacted by the far-reaching effects of Russia's war of aggression against Ukraine, which began in February 2022 in violation of international law, by the effects of the COVID-19 pandemic, and by the consequences of the economic downturn in China. Due to vaccination rates and the successive lifting of COVID-19 restrictions in various countries, the expansionary monetary and fiscal policies implemented worldwide and an increase in consumer spending, many national economies were able to recover surprisingly quickly. As a result, inflation rates in industrialized countries rose, particularly in the second half of 2021[3].

The post-COVID economic recovery came to an unexpected end in calendar year 2022. This triggered inflationary pressures, particularly in the United States and Europe. The main causes behind these inflationary pressures were bottlenecks in the supply of goods and services due to COVID-19 (e.g., logistical bottlenecks, shortages of materials and components in the manufacturing sector, labor shortages, especially in the service sector), stimulus programs that were initiated by national governments and supported by central banks, and relatively high household savings, all of which helped boost demand and therefore prices.

The economy of the People's Republic of China recorded growth of only 3% in the past year 2022, compared to 8.1% in the previous year[4]. This development is due in particular to prolonged lockdowns in the country's key business centers. At 2.1%, growth in the U.S. economy in 2022 was significantly lower than in 2021, when growth was still 5.9%. The main factors here were primarily higher exports, private inventory and capital investment, and consumer spending. Due to the sharp rise in energy and raw material prices, import and export spending of the U.S. economy increased significantly[5]. The EU reported economic growth of 3.6% in 2022, compared to 5.4% in 2021[6].

The economy in the United Kingdom is characterized by extensive stagnation and comparatively high inflation rates. At the end of 2022 and the beginning of the new year, the inflation rate was 10.1%. The Bank of England raised its key interest rate to 4% at that time[7].

In some major emerging markets, economic activity developed variously in 2022. India continued on its growth path in 2022. Nevertheless, the country’s inflation rate had been relatively high, which the Indian central bank attempted to counter at the beginning of 2023 by raising the key interest rate to 6.5%[8]. The Russian economy is characterized by a decline in economic output due to the effects of the Ukraine war and the ensuing economic sanctions imposed by the most important industrialized countries. In addition to the sharp decline in revenues from oil and gas exports and the drop in energy prices that has occurred since that time, the increasing labor shortage is also weighing heavily on the economy.

Even before the outbreak of Russia's war of aggression against Ukraine, the prices of energy raw materials, especially natural gas, had jumped significantly[9]. After the outbreak of war, the rise in energy prices intensified further. This was also due to the shortage of natural gas deliveries from Russia to the European Union (EU). Consumer prices in industrialized countries subsequently increased by an annual average of 7.8%, following a rise of 3.5% in the previous year[10].

As a result of energy price increases, many industrialized countries also experienced an increase in production and labor costs in the course of 2022. The stronger rise in costs and prices was one of the reasons why global economic growth slowed significantly in the past year. High inflation increasingly weighed on private consumption. The normalization of monetary policy, initiated against the background of high inflation in most industrialized countries, also dampened economic activity.[11]

[3] See German Bundesbank Annual Report 2022, published on the German Bundesbank website at the beginning of March 2023, p. 11.
[4] See National Bureau of Statistics of China, January 2023
[5] See U.S. Department of Commerce, February 2023
[6] See Eurostat publication, January 2023
[7] See German Bundesbank Monthly Report, February 2023, p. 15
[8] See German Bundesbank Monthly Report, February 2023, p. 15
[9] See German Bundesbank Annual Report 2022, *ibid*., p. 11
[10] See German Bundesbank Annual Report 2022, *ibid*. p. 11
[11] See German Bundesbank Annual Report 2022, *ibid*. p. 11

As of the end of the second quarter of 2022, consumer prices - measured by the change in the "Harmonized Index of Consumer Prices" (HICP) – had temporarily increased, compared to the previous year, by double-digit rates. Towards the end of the year, inflation moderated to 9.6%, in part due to emergency government support measures for natural gas and heat, after reaching a level of 11.6% in October.[12] Overall, the average inflation rate for 2022 is expected to be 8.7%.

Development of international financial markets

High inflation rates also had a significant impact on the development of international financial markets in 2022. Central banks gradually raised key interest rates. The Federal Reserve has raised the benchmark interest rate in three steps since the end of September, but only by 25 basis points in February 202313. In mid-2022, the ECB initiated an interest rate turnaround in the Eurozone due to high inflationary pressure. Prior to that point, capital market interest rates had been at historically low levels for years. Between 2015 and 2021, the interest rate was permanently below one or below zero percent[14]. The ECB Governing Council initially increased key interest rates by 75 basis points in several steps. In the time that followed, the previous step size of 75 basis points was reduced and key interest rates were raised by only 50 basis points each in December 2022 and February 2023.

In view of the deteriorating economic outlook, yields on long-term government bonds hardly increased at all in 2022. In the UK, they even declined, while in the United States they remained largely unchanged. In the Eurozone, by contrast, yields were supported by the stabilization of energy markets, an improvement in the economic outlook in the common currency zone, and China's departure from its zero-Covid policy.[15]

For the first time in four years, the average capital market interest rate in Germany was positive again, averaging around 1.14%[16].

On stock markets, there were strong price gains, especially in the Eurozone. In addition, the value of the euro improved against the U.S. dollar in the winter of 2022, particularly in view of rising expectations for the future development of the economy.

In December 2022, the ECB Governing Council also decided on a program to "normalize monetary policy securities holdings". Under this program, among other measures, securities holdings from the Asset Purchase Program (APP) were reduced by an average of EUR 15 billion per month through the end of the first quarter of 2023.

Economic development in Germany

The overall economic situation in Germany in 2022 was largely shaped by the effects of the war in Ukraine, and particularly by the associated price increases for energy. In addition, economic development in Germany was affected by growing material and supply bottlenecks, by massively rising prices, for food, for example, and by a shortage of skilled workers, as well as by the Corona pandemic, which continued into 2022 but eased over the course of the year. Despite these persistently difficult conditions, the German economy held up well overall in 2022[17].

Price-adjusted gross domestic product (GDP) grew 1.9% in 2022 compared to the previous year, according to calculations by the Federal Statistical Office (Destatis). Compared to 2019, the year before the start of the Corona pandemic, GDP in 2022 was 0.7% higher.[18] Among the various sectors of the economy, the service sectors in particular benefited from improved economic conditions in Germany due to "catch-up effects", while developments in the manufacturing and construction sectors were characterized by comparatively high prices and shortages of materials. Compared to the previous year, the shortage of materials and skilled labor, higher construction costs and increasingly deteriorating financing terms resulted

[12] See German Bundesbank Annual Report 2022, *ibid*., p. 12
[13] See German Bundesbank Monthly Report, February 2023, p. 7
[14] See Statista Research Department, publication dated January 23, 2023
[15] See German Bundesbank Monthly Report, February 2023, p. 7
[16] See Statista Research Department, publication dated January 23, 2023
[17] See Federal Statistical Office (Destatis), press release dated January 13, 2023, No. 020/23
[18] See Federal Statistical Office (Destatis), *ibid*.

in a decline in gross value added of 2.3% in 2022[19]. The “trade, transportation, and hospitality” sectors achieved a 4% increase in gross value added, while the retail sector registered a decrease[20].

High energy prices and continued limited availability of intermediate products also held back economic output in the manufacturing sector, which improved by only 0.2% compared to the previous year. In the first half of 2022 in particular, as in 2021, the manufacturing sector suffered from disrupted international supply chains and the massive rise in energy prices due to the war in Ukraine.

The general government deficit (federal, state, and local governments) decreased by around EUR 33 billion compared to the previous year, to an estimated amount of EUR 102 billion. The relief provided to the general government budget by the expiring COVID measures was overshadowed by new burdens from the energy crisis caused by the Russian war of aggression in Ukraine. Among other things, the German government launched three relief packages to counter the extreme rise in energy costs and to support consumers and the economy. The relief packages led to higher government spending, most of which was financed by the federal government: Just as in 2021, the federal deficit (EUR -117.6 billion) in 2022 was slightly higher than the general government deficit as a whole. State and local governments as well as social security funds each achieved slight budget surpluses. Measured in terms of nominal GDP, the general government deficit ratio in 2022 was 2.6%, which was significantly lower than in the previous two years.

Economic development in France, Italy and Spain

In the following countries where CGME maintains operations, the economic situation developed differently in 2022.

France's economic growth in 2022 was lower than in the previous year. After a 6.8% increase in gross domestic product (GDP) in 2021, an increase of only 2.5% has been expected for the past year 2022. The overall trend was weighed down by household spending, which fell by 1.2%. Business investment grew more slowly than in the previous quarter. Foreign trade supported overall development, as did business inventories[21].

Despite the relatively weak impact of the Ukraine war on France's energy budget (only 16% of France's energy mix is natural gas, of which only about 17% comes from Russia), France is nevertheless feeling the economic effect of the crisis. In response, a resilience plan has been drawn up to cushion the toll on French businesses, jobs, and purchasing power, and to strengthen France's sovereignty - the latter primarily by reducing the country’s dependence on Russian raw materials and energy resources.

The inflation rate climbed from 2.2% in January 2022 to 5.9% in December 2022[22].

In **Italy**, real GDP increased by 3.7% in 2022 compared to the previous year. At 8.7%, the inflation rate in 2022 was the same as in Germany.[23] Nevertheless, the economic trend in the fourth quarter of 2022 was downward, with a decline in gross domestic product of 0.1%. However, according to a press release from the *Italian National Institute of Statistics* (Istat), domestic demand - i.e., private consumption, investments, and government spending - contributed to the negative result.

Negative signals are also coming from the economically important tourism sector, where the strong catch-up demand seen in the final quarters of 2022 has lost considerable momentum. On the investment side, according to a survey by the Bank of Italy, companies are also reporting a difficult investment environment[24].

The fundamentals underlying the short-term outlook for the Italian economy point to a period of economic weakness. Yet the Italian economy is currently also lacking impetus in the medium term. This is primarily due to the economic policy of the current right-wing populist government, which has been in office for about 100 days. Necessary reform programs, for example in the judiciary, the labor market, and the tax and pension systems, have so far failed to materialize in this structurally weak, southern European country[25].

[19] See Federal Statistical Office (Destatis), *ibid*.
[20] See Federal Statistical Office (Destatis), *ibid*.
[21] See Handelsblatt "France's Economy Growing More Slowly," February 28, 2023
[22] See Statista Research Department, publication dated February 20, 2023
[23] See publication of Federal Statistical Office, as of March 3, 2023
[24] See press release of DZ Bank, DZ Research Blog, dated January 31, 2023
[25] See press release of DZ Bank, DZ Research Blog, dated January 31, 2023

Spain achieved above-average economic growth in 2022. Gross domestic product increased by 5.5% compared to the previous year, with an average annual inflation rate of 8.3%. A positive factor for economic development in 2022 was the receipt of around EUR 77 billion in EU subsidies from the "Next Generation" program. Nevertheless, the Spanish economy in 2022 has not yet returned to the level it enjoyed before the outbreak of the COVID-19 pandemic. The tourism sector once again showed a favorable development in 2022, as did the labor market.

Risks from potential loan defaults and rising interest rates tend to have a negative impact on economic development. In addition, residual burdens from the Corona crisis could strain the general government budget. It cannot be ruled out that government support payments of up to EUR 30 billion cannot be repaid.[26]

2.2 CGME Business Performance

2.2.1 Business development

Despite the effects of the COVID-19 pandemic and the Ukraine war, CGME‘s overall business performance during the recently completed 2022 fiscal year was still viewed as satisfactory, even though the revised budgeted earnings figures were not fully achieved in the course of 2022. As a result of the further expansion of the business model in the reporting 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, grew further.

With the continued expansion of client business relationships in 2022 and the associated sale of financial instruments and delivery of financial services, the Bank's risk profile also changed in 2022, including as it relates to counterparty risks. As in the previous year, the Bank's equity base was therefore again significantly strengthened in 2022 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 approx. EUR 487 million made by the sole shareholder, CGME's balance sheet equity increased to approximately EUR 3.8 billion.

The **core capital ratio** (CET 1 ratio) of 17.7% planned for the past fiscal year was significantly exceeded at the end of the fiscal year with a value of 21.49%.

[26] See “Economic Outlook for Spain - Ministerio de Industria, Comercio y Turismo”, Germany Trade & Invest, February 2023.

With net income of EUR 7 million (prior year: approx. EUR 17 million), the decline in **earnings** is attributable, among other things, to another increase in negative interest income of EUR - 60 million (prior year: EUR - 38 million) due to higher medium- and long-term refinancing volumes and rising interest rates, as well as an EUR 54 million increase in administrative expenses to a total of EUR 506 million. Particularly as a result of increased bonus payments to employees, personnel expenses rose by EUR 19 million to EUR 239 million. In addition, income for the year was depressed by the bank charges (*Bankenabgabe*), which compared to the previous year rose by EUR 30 million to EUR 40 million and could be passed on only in part to the sole shareholder as part of the cost allocation.

Net trading income developed positively, which contributed in particular to a net income of EUR 555 million from derivative financial instruments, which significantly improved the earnings situation. Equity and bond instruments accounted for a EUR - 443 million contribution to earnings in 2022.

Earnings from CGME's participation in equity and other trading transactions of Citigroup Group also developed gratifyingly in 2022. In this respect, additional income totaling around EUR 81 million (prior year: EUR 25 million) accrued in 2022.

Our financial performance indicator **"Operating Efficiency",** which was around 97% in 2021, had a target of 80% for 2022. Due to a comparatively high increase in administrative expenses, operating efficiency in 2022 was around 97%.

2.2.2 "Markets" business division

In the recently completed fiscal year 2022, the economic development of the Markets business division was essentially characterized by "underperformance" of the equities markets as well as considerable volatility, especially in the asset classes "Rates", "Foreign Currencies" and "Commodities". The effects of the Ukraine war, in particular the relatively high increase in inflation rates and the related responses thereto by national central banks, including the adjustments made by the Federal Reserve Bank and the European Central Bank with regard to their low interest rate policies and the bond purchase programs, further shaped the overall market environment.

Clients increasingly approached CGME to position themselves appropriately in the given market environment in line with their economic objectives. This caused the business volume in the recently completed fiscal year to rise. By contrast, the business involving warrants became weaker due to lower volume and the increasing costs of hedging. Nevertheless, all CGME operating sites were able to achieve satisfactory results.

The **main branch in Frankfurt am Main** was able to achieve a business volume that was in line with the scale attained in the prior year. Business in bonds, rate products and foreign exchange showed particular strength, while the equities and equity derivatives business reported 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, 2022 proved to be a positive year, particularly with regard to the strategic transactions concluded by the "Solutions" unit at the beginning of the year. In the wake of the concern regarding the further increase in inflation rates, discussions with clients about hedging strategies against the effects of this development were further intensified.

The activities at the **Paris location** were once again continuously expanded throughout 2022 as more business from Citigroup's regional center in London was transferred to it, as had happened in the prior year. Consequently, new employees were also hired. Trading in interest rate products was again profitable in 2022, while the results in the "Credit Products and Special Solutions" division continued to stagnate.

In the course of 2022, staff capacities at the Paris location 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 office 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** improved in the most recently completed fiscal year compared with the prior year. 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.

2.2.3 "Banking, Capital Markets & Advisory" (BCMA) business division

In light of the impact of the Ukraine war and the after-effects of the COVID-19 pandemic on the overall economic environment, the 2022 fiscal year did not proceed satisfactorily in the "BCMA" segment.

Compared with the previous year, Citigroup's market position in the episodic business, as measured by the Dealogic Ranking (Citi Internal View), declined. With respect to the episodic products, our activities reported a downward trend due to the external factors that influenced the business segment. In view of this trend, the commission income declined in 2022 from approximately EUR 212 million in the previous year to a total of EUR 136 million. This commission income is broken down into the following main products or product sectors:

Product/Product segment	2022 (EUR million)	2021 (EUR million)	Change (EUR million)
Credit Portfolio Management (CPM)	3	9	- 6
Equity Capital Markets (ECM)	37	50	- 13
Debt Capital Markets (DCM)	28	47	- 19
Mergers & Acquisitions (M&A)	55	124	- 69
Other	13	-18	31
Total	**136**	**212**	**- 76**

Since the market activities in the "**ECM**" product segment clearly stagnated in 2022, the fee income landed below CGME expectations at approximately EUR 37 million (2021: EUR 50 million). Due to a comparatively large transaction in 2022, CGME was nevertheless able to improve its market position in this product segment. The CGME market share in the German market stagnated in 2022 compared to the prior year (-46 bps) with an unchanged 6th place in the Dealogic ranking. The branches in France (+86 bps) and in Italy (+112bps) were able to improve their position despite a weak market environment. In Spain, CGME was unable to defend its top 3 position and had to report a significant decrease in market share (-643 bps) and is now in 7th place in 2022.[27]

With regard to the "**DCM**" product, fiscal year 2022 did not end satisfactorily due to a difficult external environment. In comparison to the prior year, the market volume in the product segments "DCM" and "Investment Grade Debt" (IGD) declined significantly. In 2022, the EUR Corp IG volumes (EUR 246 billion) stood at the lowest level in almost a decade (EUR 239 billion in 2013), whereby the volume compared to 2021 fell by 27% and compared to 2020 by 45%. In the "IGD" business segment, CGME lost market share (-182 bps) and now sits in 4th place[28].

In 2022, CGME's M&A fee income declined significantly. After reaching an all-time high in 2021, global M&A volumes returned to a normal pace in 2022. M&A slowed in the second half of the year due to an increasingly challenging macroeconomic environment fueled by the Russia-Ukraine conflict, rising inflation, falling confidence, and the sharpest rise in interest rates since the early 1980s. Amid heightened volatility and the worst stock market declines since 2008, companies signed primarily smaller M&A deals, announced fewer cross-border transactions, and initiated fewer acquisition attempts. Private equity remained extremely active in 2022, by far the second strongest year, although activity slowed significantly by year-end. Sponsors

[27] See Dealogic (Citi Internal View) per December 31, 2022 for Germany, France, Italy and Spain.
[28] See Dealogic (Citi Internal View) per December 31, 2022 for Germany.

increasingly turned to direct lenders to fund their transactions. These developments are also reflected in lower market positions, particularly for Germany (ranked 11th) and Spain (ranked 7th).[29]

2.3 Assets, Financial Condition and Results of Operation

2.3.1 Results of operation

The result in the fiscal year 2022 developed as follows compared to the prior year:

	Jan 1-Dec 31, 2022 (EUR million)	Jan 1-Dec 31, 2021 (EUR million)	Change (EUR million)
Net interest income	- 60	- 38	- 22
Net commission income	397	393	4
Income from trading operations	108	97	11
Risk provisioning in lending business	- 0	-	- 0
Other operating income	146	54	92
Administrative expenses	- 506	- 452	- 54
Other income and expenses	- 45	- 25	- 20
Result before taxes	40	29	11
Income taxes	33	12	21
Annual net profit (loss)	**7**	**17**	**- 10**

Negative interest income climbs further

Compared to the prior year, negative **interest income (net loss)** further deteriorated by EUR 22 million to EUR 60 million. At the same time, while interest income climbed from EUR 87 million to EUR 211 million, interest expenses also increased from EUR 107 million to EUR 260 million. The reason behind the increase in the interest income components is the rise in interest-bearing holdings from securities lending and repo business. Moreover, in the past fiscal year, the medium- and long-term refinancing funds that were borrowed from Citicorp LLC for liquidity purposes increased, which - in view of the changes in capital market interest rates, particularly in the second half of the year – also had an additional negative impact of EUR 134 million (prior year: EUR 22 million) on the interest result.

Commission income slightly improved

Net commission income increased slightly by EUR 4 million in the recently completed fiscal year to a total of EUR 397 million, with commission revenues totaling of EUR 671 million (2021: EUR 721 million), while the commission expenses incurred in connection with the intra-group charges ended the year at EUR 274 million, which was EUR 54 million lower than the prior year.

A total of EUR 315 million or approx. 47% (2021: EUR 392 million, or approx. 55%) of **commission income** was attributable to the "**BCMA**" division, although at a total of approx. EUR 228 million and like in the prior year (2021: UR 207 million), a significant share of that income was generated by the "Mergers & Acquisitions" division in connection with the European-wide support of clients based on the internal group resource allocation (GRA). The product segments "Equity Capital Markets" and "Debt Capital Markets" developed negatively, inasmuch as the client activities in these segments decreased relatively strongly due to the global crises during the completed fiscal year and the uncertainties on the capital markets. Accordingly, the commission income in these product segments decreased significantly to a total of EUR 76 million (2021: EUR 173 million).

[29] See Dealogic (Citi Internal View) per December 31, 2022 for Germany and Spain.

Fee and commission income of approx. EUR 357 million (2021: EUR 329 million) was generated by the **Markets business division**. The "Rates" product in particular developed positively. Due to distortions in the energy market and capital markets that were caused, on the one hand, by the Russian war against Ukraine and, on the other hand, by the interest rate strategies pursued by central banks to reduce inflation, client demand for derivatives hedging intensified and the fee and commission income from this product rose considerably to EUR 235 million (2021: EUR 183 million).

Further increase in net trading income

The positive **net income from financial trading operations** in the amount of EUR 108 million (2021: EUR 97 million) resulted almost exclusively from trading in derivative equities, index and futures products as well as from dividends paid out of stock holdings, whereby income in the amount of EUR 1,298 million (2021: EUR 715 million) is juxtaposed with expenses totaling EUR 1,190 million (2021: EUR 619 million). The improvement in the trading result compared to the previous year was caused by, among other things, temporary and significant increase in trading activity as a consequence of the uncertainties on the energy and capital markets.

Specifically, the financial instruments generated the following contributions to 2022 results:

	Equities	Bonds	Derivates	Allocation to Special Account pursuant to § 340e para. (4) HGB	Total
	EUR million)	(EUR million)	(EUR million)	(EUR million)	(EUR million)
Income	52	68	1,178	-	1,298
Expenses	231	332	623	4	1,190
Result	**- 179**	**- 264**	**555**	**- 4**	**108**

In valuing the trading portfolio as of December 31, 2022, a **risk discount** (value-at-risk or “VAR”) was recognized in the amount of EUR 9 million (2021: EUR 17 million).

Minor Risk provisioning in lending business

To cover overall credit risks, general valuation allowances of EUR 0.1 million were recognized for the first time in the past fiscal year. The amount of these allowances has been determined on the basis of loan defaults that did not occur in the past, but this determination also now takes into account current information and expectations regarding future risks for the relevant loan volumes within the framework of the so-called "IFRS 9 level model" (See also IDW RS BFA 7). As of December 31, 2022, there were no loan volumes that were assigned to risk level 2 or 3 in terms of the anticipated counterparty default risk.

Other operating income rises substantially

Other operating income in the amount of EUR 146 million (prior year: EUR 54 million) consisted primarily of income that was generated from the pass-through of expenses to the sole shareholder and from a share of the income generated from participating in the earnings on equities and other trading transactions totaling EUR 81 million (prior year: EUR 25 million). The cost-sharing charges relate primarily to transaction and stock exchange fees as well as the expenses for the bank charge (*Bankenabgabe*) incurred in 2022.

This item also includes income from charges passed on to other affiliated enterprises (EUR 49 million; prior year: EUR 25 million) which, among other things, includes expenses incurred in connection with the business activities of the branches in France, Italy and Spain.

Moreover, income from the turnover tax refunds, specifically from the prior years and totaling EUR 16 million (2021: EUR 1 million), were collected in the recently completed fiscal year.

Increase of administrative expenses

Compared to the previous year, **administrative expenses** rose by approximately EUR 54 million to a total of EUR 506 million. The increase in **personnel expenses** by approximately EUR 19 million to EUR 239 million was caused primarily by an increase in staffing in 2022 and by salary raises and adjusted bonus payments.

The **other administrative expenses** in the amount of EUR 267 million (prior year: EUR 232 million) relate primarily to the stock exchange, custody and other transaction fees incurred in connection with transaction settlements and totaling EUR 92 million (prior year: EUR 100 million) as well as the higher business expansion costs in connection with the payment of the bank charge (*Bankenabgabe*), which rose in 2022 by EUR 30 million to EUR 40 million. Inter-company clearing produced expenses totaling EUR 39 million in the recently completed fiscal year (prior year: EUR 34 million).

Other income and expenses climb

Other operating expenses in the amount of EUR 45 million (2021: EUR 25 million) can be ascribed, *inter alia*, to depreciation, amortization and impairment write-downs on intangible assets and tangible assets (EUR 12 million; prior year: EUR 10 million), which includes scheduled amortization totaling EUR 9 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 33 million (prior year: EUR 15 million) relate almost exclusively to net expenses in connection with accrued interest on the pension reserves in the amount of EUR 6 million and the next expense from the revaluation of the plan assets in the amount of EUR 24 million.

2.3.2 Financial condition

CGME refinances itself primarily within the Citigroup Group and can, if necessary, access a credit line of USD 10 billion.

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, 2022, the Tier 1 common capital ratio and the total capital ratio of CGME were each 21.49% (December 31, 2021: 19.43%). Thus, CGME continues to command a strong equity base.

Otherwise, we refer to the cash flow statement for fiscal year 2022 as shown the notes.

2.3.3 Assets

The **CGME assets** as of the balance sheet date (December 31, 2022) developed as follows compared to the previous year balance sheet:

Assets	Dec 31, 2022 (EUR million)	Dec 31, 2021 (EUR million)	Change (EUR million)
Credit balances held at the German Bundesbank	496	-	496
Receivables from banks	834	1,883	- 1,049
Receivables from clients	27,863	24,801	3,062
Trading portfolio assets	11,704	47,750	- 36,046
Equity investments	1	1	-
Trust assets	446	338	108
Intangible assets	56	65	- 9
Tangible assets	17	9	8
Other assets	1,098	9,030	- 7,932
Prepaid and deferred items	1	1	0
Total	**42,517**	**83,878**	**- 41,361**

Liabilities and equity capital	Dec 31, 2022 (EUR million)	Dec 31, 2021 (EUR million)	Change (EUR million)
Liabilities owed to banks	206	1,826	- 1,620
Liabilities owed to clients	27,139	21,941	5,198
Trading portfolio liabilities	9,902	47,725	- 37,823
Trust liabilities	446	338	108
Other liabilities	802	8,583	- 7,781
Deferred income	8	-	8
Accruals	232	181	51
Funds for general bank risks	32	28	4
Equity capital	3,750	3,256	494
Total	**42,517**	**83,878**	**- 41,361**

Higher business volumes despite lower balance sheet totals

The assets of CGME were shaped again in the most recently completed fiscal year of 2022 by the Bank's continued expansion and focus on its service business with clients and on trading in financial instruments. Compared to the prior year, the balance sheet total did fall by approximately EUR 41.4 billion to EUR 42.5 billion. The cause of this trend, however, can be attributed not to a decline in the business volume with clients but rather primarily to the first-time exercise of individual elections under commercial law in the accounting of the financial instruments in the trading portfolio or receivables resulting therefrom, which in this case leads overall to fewer assets of approximately EUR 36 billion or to liabilities of approximately EUR 38 billion.

Accordingly, it is permissible to offset (net) positive fair values of certain derivative financial instruments against negative fair values of financial instruments while taking into account existing cash collateral, provided that the necessary conditions for this treatment (e.g., conclusion of a master agreement with the counterparties, daily volume-based adjustment of cash collateral) are met. Netting takes into account the economic approach, according to which under certain conditions, an existing net position may be deemed fictitiously covered economically by collateral that was provided in cash.

The netting of related assets and liabilities, which was carried out for the first time as of December 31, 2022, therefore created in the trading portfolio a presentation of the assets that were reported at EUR 32.2 billion lower and liabilities that were reported EUR 34.2 billion lower. The volumes that could be offset against each other as of the previous year's reporting date totaled EUR 30.5 billion for the trading portfolio assets and EUR 31.2 billion for the trading portfolio liabilities.

In contrast to the previous year, the accounting treatment of financial instruments traded on and off the stock exchange was changed as of December 31, 2022 from the trade date to the settlement date. This resulted in the related short-term counterparty receivables being recognized on the balance sheet as of December 31, 2022 at a lower value of approximately EUR 2 billion.

Continued high revenue volumes of the trading portfolio

As of December 31, 2022, the **trading portfolio**, in comparison to the prior year, consists of the following:

Trading Portfolio				
	Assets	Liabilities	Assets	Liabilities
	Dec 31, 2022 EUR million)	Dec 31, 2022 (EUR million)	Dec 31, 2021 (EUR million)	Dec 31, 2021 (EUR million)
1. Derivative Financial Instruments				
• FX-induced trades				
o OTC-currency options and swaps	5,365	5,374	3,190	3,186
o Own issue currency warrants	147	152	177	182
o Spot foreign exchange transactions	617	617	468	466
• *Own issue equity warrants*	3,645	3,777	7,808	8,473
• *OTC stock and index options and swaps*	1,681	1,655	1,009	1,001
• *Own issue index warrants*	2,259	2,297	3,429	3,487
• *Exchange-traded equities and index option transactions*	66	3	481	21
• *OTC interest rate options* and swaps	27,396	27,418	27,998	27,950
• *Own issue commodities warrants*	107	109	138	142
• *OTC Commodities-options and swaps*	2,154	2,156	1,525	1,525
Subtotal/Carry-forward	**43,437**	**43,559**	**46,223**	**46,433**

Trading Portfolio				
	Assets	Liabilities	Assets	Liabilities
	Dec 31, 2022 (EUR million)	Dec 31, 2022 (EUR million)	Dec 31, 2021 (EUR million)	Dec 31, 2021 (EUR million)
Subtotal / Carry-forward	43,437	43,559	46,223	46,433
1. Bonds and other fixed interest securities	**211**	**473**	**332**	**1.147**
of which marketable	*211*	*473*	*332*	*1.147*
of which exchange listed	*211*	*473*	*332*	*1.147*
2. Equities and other variable securities	**267**	**33**	**1,212**	**143**
of which marketable	*267*	*33*	1,212	143
of which exchange listed	*267*	*33*	1.212	143
Total	43,915	44,065	47,767	47,723
- Other Market-Value-Adjustments	8	1	-	2
- Value at Risk	- 9	-	- 17	-
- Netting	- 32,209	- 34,162	-**)	-**)
Grand Total	**11,704**	**9,902**	**47,750**	**47,725**

**) Offsetable amounts as of December 31, 2021 totaling EUR 30,466 million (trading portfolio assets) and EUR 31,19 million (trading portfolio liabilities)

The large year-on-year decrease in trading portfolio assets and liabilities is attributable primarily to the accounting election that was exercised for the first time in this past fiscal year for derivative financial instruments to offset positive and negative fair values and related settlement payments (provision of cash collateral) of trading portfolio derivatives that are traded over the counter with central counterparties and non-central counterparties (OTC derivatives). As of December 31, 2022, this approach will yield a netting effect of approximately EUR 32 billion for the trading portfolio on the asset side and approximately EUR 34 billion for the trading portfolio on the liabilities side.

As in the prior year, OTC interest-rate options accounted for most of the trading portfolios and consisted of approx. EUR 27.0 billion (prior year: EUR 28 billion) or approx. 62% of the total volume of approx. EUR 44 billion in assets and liabilities (prior year: approx. 61% of the total volume of approx. EUR 48 billion) before netting and settlement. Compared to the prior year, the total volume of the remaining trading portfolio financial instruments has not changed materially.

In connection with valuing the trading portfolio, a **discount** (Value-at-Risk or “VaR”) was applied in the amount of EUR 9 million (prior year: EUR 17 million) as of December 31, 2022.

Increase in customer receivables arising from broker/dealer and securities repurchasing transactions

Approximately 74% of the balance sheet total as of the end of fiscal year 2022 – namely, EUR 27,863 million (prior year: EUR 24,801 million) - is attributable to short-term **receivables from clients**, of which approximately EUR 10,222 million (prior year: EUR 7,301 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 5,198 million to EUR 27,139 million as of December 31, 2022.

Furthermore, as of December 31, 2022, a total of approx. EUR 15,232 million (prior year: EUR 14,372 million) relates to short-term receivables generated from **securities lending and repurchasing transactions** that were executed for liquidity management purposes (reverse repo transactions).

Additional rise in business volume from "FCX business"

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 2022, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 446 million (prior year: EUR 338 million).

Decrease in short term receivables from banks

Receivables from banks (approx. EUR 834 million; prior year: EUR 1,883 million) include primarily receivables due upon demand (EUR 137 million; prior year: EUR 933 million) in connection with the broker dealer business that resulted from declining client activity due to stock exchange closures tied to the timing of the holidays in December compared to the prior year. In addition, as of the balance sheet date, there were receivables due upon demand from affiliated enterprises (EUR 543 million; prior year: EUR 919 million).

Decline in the other intangible assets and other assets

As in the prior year, **intangible assets** (EUR 56 million; prior year: EUR 65 million) consist almost exclusively of goodwill (EUR 56 million; prior year: EUR 65 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, 2021, **other assets** decreased by approximately EUR 7,932 million to a total of approximately EUR 1,098 million. The main reason for this decrease was the netting of the security/collateral previously reported on the balance sheet, the collateral to be provided in connection with the settlement of broker/dealer transactions (OTC transactions) and the initial and variation margins as part of the first-time application of the accounting election. As of December 31, 2022, the volume totaled approximately EUR 828 million (prior year: approximately EUR 8,924 million). In addition, the balance sheet item includes, *inter alia*, turnover and investment income withholding tax refunds totaling EUR 27 million (prior year: EUR 45 million).

Decline in other liabilities

Other liabilities (EUR 802 million; prior year: EUR 8,582 million) relate primarily to initial or variation margins received (EUR 744 million; prior year: EUR 8,541 million) in connection with the broker-dealer business.

Higher accruals

Of the **accruals** totaling EUR 232 million (prior year: EUR 181 million), **provisions for pensions and similar obligations** account for a total of EUR 57 million (prior year: EUR 30 million). In December 2022, pension obligations owed to active and retired employees and totaling EUR 38 million were transferred to Metzler Pensionsfonds (MPF). To cover and assume the liabilities, fund shares in the separate fund known as "MI-Fonds F42" and totaling EUR 38 million were also transferred from the CTA to the Metzler Pensionsfonds. In accordance with Art. 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.

The total amount of the remaining obligations equaling approx. EUR 173 million is covered by plan assets totaling EUR 116 million that were made available and held in trust. The fair values of the plan assets were netted against the settlement amount of the obligations as of the balance sheet date.

Of the **other provisions** in the amount of EUR 167 million (prior year: EUR 132 million), a total of approximately EUR 104 million (prior year: approximately EUR 92 million) relates mainly to the bonus payments owed to employees.

Provisions for taxes (EUR 7 million; prior year: EUR 19 million) are attributable mostly to domestic and foreign income tax payments that are expected to be owed for the most recently completed fiscal year.

Renewed enhancement of the fund for general banking risks

During the reporting year, approximately EUR 4 million was allocated to the fund for general banking risks in accordance with § 340g of the German Commercial Code (HGB), which thereby increased the fund balance to EUR 32 million as of the end of the fiscal year

More improvement in the equity capital

As of December 31, 2022, the **equity capital** shown on the CGME balance sheet compared to the balance sheet date of the previous fiscal year increased by a total of EUR 494 million to EUR 3,750 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 487 million pursuant to § 272 (2) no. 4 of the German Commercial Code.

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 7 million be deposited into other earnings reserves.

Overall, we believe that the net assets as of December 31, 2022 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

The January 2023 update to the World Economic Outlook projects global growth to drop to 2.9% in 2023, but to rise to 3.1% in 2024. The 2023 forecast is 0.2 percentage points higher than the October 2022 World Economic Outlook, but below the historical average of 3.8%. Rising interest rates and the war in Ukraine continue to weigh on economic activity. China's recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall to 6.6% in 2023 and to 4.3% in 2024, still above pre-pandemic levels.[30]

The balance of risks is still tilted to the downside, but the negative risks have abated since the October 2022 WEO. Nevertheless, a stronger boost from pent-up demand in numerous economies and a faster decline in inflation cannot be ruled out, also in light of future central bank decisions. On the other hand, serious health problems among the population in China could put the brakes on the upswing, Russia's war in Ukraine could escalate further, and the tightening of global financing costs could exacerbate the debt problem. Furthermore, it cannot be ruled out that further inflationary developments will weigh on financial markets, while further geopolitical fragmentation could hamper economic progress.

The development of economic, financial and, in particular, capital markets is exposed to various risks and dangers in the coming fiscal year. Gross domestic product in the European Union and the Eurozone is expected to increase by 0.8% in 2023 and by 1.6% in 2024[31]. The inflation rate in the Eurozone is currently expected to fall from an average of 8.4% in 2022 to 5.6% in 2023 and to 2.5% in 2024[32]. In our view, however, the outlook is still subject to a high degree of uncertainty. The main reasons for concern are the impact and economic consequences of the Ukraine conflict on the global economy as a whole, and on inflation risks and energy market developments in particular.

With regard to the economic development in Germany, a decline in domestic demand and in exports due to weak foreign demand cannot be ruled out in the first quarter of 2023, as a result of continued high energy prices and government support measures. As a consequence, further supply bottlenecks and an increase in construction costs and interest rates should be expected. Gross domestic product in Germany is expected to climb by 0.2% in 2023 and could increase by 1.3% in 2024[33].

With regard to the development of the U.S. economy, we expect a slight increase in GDP of 1.7%[34] for 2022 and a small recessionary trend of - 0.4%[35] in 2023. In addition, we expect the unemployment rate in the U.S. to climb to 4.9%[36] in 2023, while the inflation rate for 2022 is expected to remain at a comparatively high level of 8.0%[37]. We are anticipating a decline to an estimated 4.1%[38] in the fourth quarter of 2023.

Despite the gradual increase in capital market interest rates by the European Central Bank and other central banks, we believe that the current, comparatively low level of interest rates continues to pose a high risk to the development of financial and capital markets. In particular in view of high inflation rates, we currently expect key interest rates to rise further in 2023.

[30] See International Monetary Fund, World Economic Outlook, January 2023
[31] See "Winter Forecast" of the EU Commission dated February 13, 2023, p. 1, published on the website of the European Union
[32] See "Winter Forecast" of the EU Commission dated February 13, 2023, p. 1, published on the website of the European Union
[33] See "Winter Forecast" of the EU Commission dated February 13, 2023, p. 27 published on the website of the European Union
[34] See ECB Economic Bulletin, Issue 01/2023, p. 10, published on the website of the European Central Bank
[35] See “Winter Economic Outlook Report” of the *Institut für Weltwirtschaft* [Institute for the World Economy] of December 21, 2022, p. 7, Table 2, published on the website of the Institute for the World Economy
[36] See “Winter Economic Outlook Report” of the Institute for the World Economy, *ibid*, p. 7, Table 2
[37] See ECB Economic Bulletin, Issue 01/2023, p. 89, Statistics 2, published on the website of the European Central Bank
[38] See “Winter Economic Outlook Report” of the Institute for the World Economy, *ibid*, p. 7, Table 2

3.1.2 Outlook and opportunities for the business

Economic and organizational parameters

According to our expectations, CGME's business performance in 2023 and the related forecast will be influenced by the effects of the Ukraine crisis and the aftermath 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 2023. Based on the business performance to date in the first few months of fiscal 2023, demand for products intended to hedge interest rate and market price or inflation risks has also increased due to the sharp rise in energy prices.

As a consequence of persistent inflation and the start of a decline in the issue volume of federal bonds that we have observed, we expect, among other things, that swap spreads on interest-bearing financial instruments will fall in 2023.

In view of the European and global economic environment and the geopolitical situation, there could be a downward trend in economic scenarios in industrialized and emerging countries over the next three years, which could have an impact on investor sentiment, client activity, and transaction volumes within the scope of our business model, with a decline in earnings. The major potential negative factors or events we see include.

- Persistent, comparatively weak economic performance
- Volatility of the foreign currency exchange rates
- Rapid monetary policy changes by the European Central Bank and other central banks, with a significant impact on capital markets
- Potential negative effects of regulatory and/or legal measures adopted in the European Union
- Terrorism and security concerns that may affect investor confidence, global trade, and tourism
- Increase in credit risks due to increase in debt or financial burden of borrowers
- Political uncertainties.

In the expansion of the CGME business model, which also continued in the recently completed 2022 fiscal year, as a “financial services institution” or “CRR credit institution”, we were licensed as a CRR credit institution pursuant to Art. 4 item 1, 1 (b) CRR Regulation in combination with § 32 (1) sentence 3 of the German Banking Act (KWG) and as of October 18, 2022, we are now subject to the regulatory authority of the European Central Bank.

The adjustments to the organizational and operational procedures within CGME, which are required in this connection, are expected to continue in fiscal year 2023. This also impacts, for example, the ESG-related implementation tasks.

Economic forecasts and financial performance indicators

Based on the previous budget for 2023, **net revenues** totaling approximately EUR 513 million and **net expenses** in the amount of approximately EUR 470 million are projected to yield a small positive EBT of approximately EUR 43 million. The after-tax earnings of CGME for 2023 are expected to be about EUR 5 million.

The budgeted figures are predicated, among other things, on assumptions and expectations that also factor in the economic effects of 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.

With respect to both the “BCMA” and “Markets” business fields, we are assuming that for 2023 there will be general continued improvement in the budgeted gross contributions to earnings compared to the prior year:

Gross Contribution to Earnings	BCMA (EUR million)	Markets (EUR million)	Total (EUR million)
Projected Gross Income	211	332	543
Projected Gross Expenses	170	272	442
Earnings before Taxes (EBT)	**41**	**60**	**101**
Projected Number of Employees	**209**	**219**	**428**
Projected Operating Efficiency (%)	**80.6**	**81.9**	**81.4**

In the business segment “**Markets**”, the products known as “Total Equity Derivatives” (projected income of approx. EUR 113 million) as well as “Global Rates” (projected income of approx. EUR 85 million) are expected to be key positive earnings indicators in 2023. In the “BCMA” business field, a favorable development compared to the prior year is expected particularly in the “M&A” sector, with projected income of approximately EUR 87 million (actual income in 2022: approx. EUR 55 million) and an increase in the positive earnings contribution in the "DCM business" from EUR 27 million in 2022 to approximately EUR 63 million in 2023.

With regard to the **branch or location-related business operations**, CGME's budgeting team is forecasting a positive EBT of EUR 13 million in 2023 for the head office and a positive EBT of approx. EUR 25 million in 2023 for the branch in Spain. For the branch in France, a positive EBT value of around EUR 4 million is forecasted for 2023, while a slightly negative EBT of approx. EUR 3 million is expected for Italy in 2023, according to the budgeting team. A balanced EBT is projected for the "United Kingdom" location.

For the CGME financial performance indicator, “**Operating Efficiency**”, the goal for 2023 is 92%. In the upcoming next two years, the goal is to further improve overall-EBT up to EUR 44 million with a largely unchanged “Operating Efficiency” of 92%.

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.

With the continued expansion of the business, the **staff numbers** are projected to increase to approx. 700 employees in 2023, 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 rise in energy prices and the concomitant increase in inflation rates, we continue to assume that the Federal Reserve Bank and the European Central Bank will carry on with their interest rate policy of gradual hikes in key interest rates, albeit within a moderate range. Negative effects on the stock, bond and real estate markets can therefore also be expected in 2023, which could have an impact on our Bank’s earnings situation.

In the **Markets** business division, we are expecting for 2023 a development similar to that of the past fiscal year; namely, a volatile development of interest rates and foreign exchange rates. In connection with commodity-based products, particularly in the energy sector, prices are expected to be less volatile as a result of the relatively "warm" winter in Europe to date. Overall, we believe that the further development of the financial markets in the Markets division is subject to a high degree of uncertainty, particularly with regard to the central banks' interest rate policies and their impact on the stock, bond and real estate markets.

Outlook and Opportunities

Nevertheless, we are expecting an elevated client interest in products that hedge against rising interest rates and higher inflation rates. In the "Corporates" segment, there is now a demand for products that invest excess liquidity at comparatively low margins.

Given the increasing focus of public and private investors on environmental, climate and social aspects, there is growing interest in ESG financial products on the capital markets. In this area, CGME has set for itself global growth targets that 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 that in 2023 with the elevated demands of the market environment, the number of business transactions and the volume of business will remain at the level as the previous year. Taking into account the economic environment of our clients, we will strive to offer products and services tailored to their needs, although the further digitization of processes could yield both efficiency gains and lower margins.

As in the previous year, the focus in the **BCMA business division** in 2023 will be on retaining existing clients and expanding our market share in the non-coverage segment. On the industry side, the focus will remain on clients from the industrial and technology sectors as well as private equity firms.

Against the backdrop of very high market activity in the “Advisory” and “Capital Markets” divisions in 2022 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 2023. In the “DCM” subsegment, we anticipate market activities overall to remain at 2022 levels. Overall, we expect that the earnings before taxes (EBT) in the "BCMA" division in 2023 will be at roughly the same level as it was in prior year at approx. EUR 41 million.

Key features in this market environment should again likely be characterized by 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 capture greater market share will be of fundamental importance. The global presence of Citigroup and its related ability to provide local expertise will afford the Bank opportunities to set itself apart.

4 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 2022, 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, and the equivalent guidelines of the European Central Bank concerning new quantification procedures and enhanced model governance development was further developed.

Moreover, the **process for identifying risk and assessing significant risks** was upgraded, and the global approach was adjusted inasmuch as this was possible in accordance with local regulatory requirements and the CGME-specific business model. For the first time, reciprocal effects of sustainability risks on other material risk categories were methodically identified and evaluated in this context 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 supervisory authority, the Bank is currently still in the approval process for the IMA Model (status: "Temporary Non-Objection to Model Usage") to calculate capital requirements resulting from market price risks. Further developments in the approval processes (the approval of new products in accordance with AT 8 of MaRisk is based on a new database solution; the approval process pursuant to AT 8.2 MaRisk was restructured) and the governance structure (adjustments to the reporting system, revision of key elements of the documented policies, the implementation of a risk committee and model governance committee for quantification procedures, used in the ICAAP, below the Executive Board level) round out the most significant improvements in the Bank's management.

In view of the geopolitical crises and the resulting negative impact on the overall economic situation, which manifested itself primarily in a high inflation rate, reduced macroeconomic growth momentum and pressure on the global financial markets, the Bank performed *ad hoc* stress tests and simulations on the main risk drivers in order to identify the potential impact on CGME at all times and to be able to take appropriate actions. At no time during the past fiscal year were any significant additional risks identified through the analytical procedures described above, nor did any potential losses materialize.

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 Trader 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 Country Coordination Committee (CCC)	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 und 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 • Weitere Funktionen innerhalb Risk und Finance
ICAAP and Stress Testing Model Control and Review Committee (ISTMCRC)	• Evaluation of the Appropriateness of the ICAAP and Stress Testing Models	• Chief Risk Officer • Chief Financial Officer • Additional functions within Risk and Finance
Risk Management Committee (RMC)	• Evaluation of the overall situation related primarily to market price risks and counter-party risks. • Preparation for decision-making by the CGME Executive Board	• Chief Executive Officer (co-chair) • Chief Risk Officer (co-chair) • Additional Executive Board members from the business and function areas • Other functions

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).

In fiscal year 2022, two additional committees below the Executive Board level were formed in an effort to strengthen the Bank's committee structures and decision-making processes. The ICAAP and Stress Testing Model Control and Review Committee ("ISTMCRM") complements the Model Committees for the Use of IMA and IMM Models with certain quantification procedures that are deployed for the calculation of the economic capital requirement ("ICCAP and Stress Testing"). Like the Model Committees, the Risk Management Committee ("RMC") was set up by the CGME Executive Board. The RMC essentially functions as a preparation and escalation point for market price risks and counterparty credit risks and for other key risk governance issues.

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 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”, “ALCO” and Risk Management Committee. Furthermore, topics that arise in connection with the use of the IMA, UMM and ICAAP models will be escalated *via* the implemented bodies and committees (IMACC, EMCRC and ISTMRC).

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:

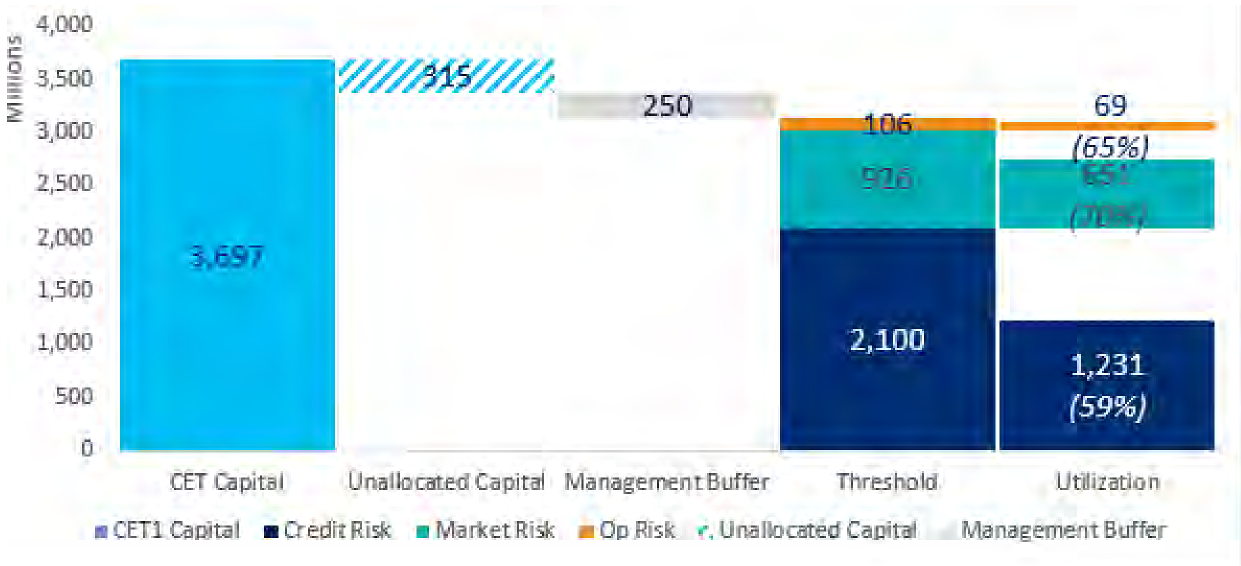
- the concentration risks on counterparty risks
- the CCP membership risks
- the operational risks
- the risks from pension funds (no longer considered significant under the criteria applied for determining significance, but still taken into account in the ICAAP according to the prudence principle (*Vorsichtsprinzip*))
- 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.

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, 2022, the risk coverage potential (Tier 1) totaled EUR 3,697 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 2022 to raise the management capital buffer from EUR 200 million to EUR 250. 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 3,697 million, a total of EUR 3,132 million was determined as risk appetite at year-end 2022, of which EUR 1,951 million was utilized. This corresponds to a utilization rate of 62% of the prescribed threshold.

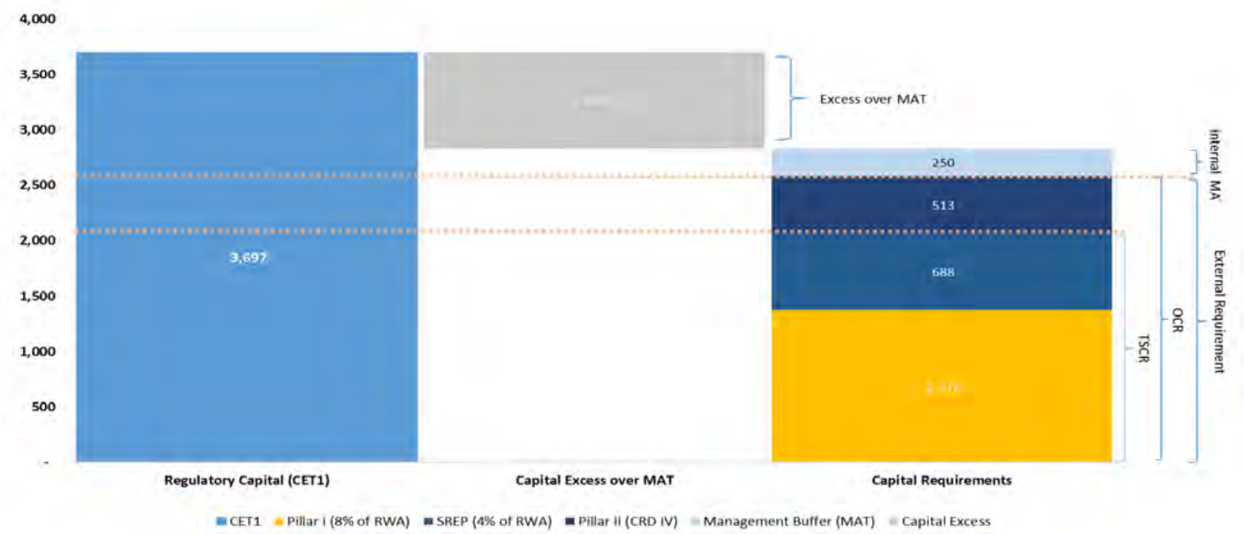
The **risk-bearing capacity** (**capital adequacy**), which is also calculated during the year by way of monthly and quarterly procedures, was guaranteed at all times during the 2021 fiscal year, and CGME had an adequate risk capital buffer. The capital projection carried out as part of the annual risk 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 2022. 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, 2022. At the end of the year, the equity base was in an adequate range, registering a capital surplus of EUR 869 million with a CET1 capitalization of EUR 3,697 million and a resulting CET1 ratio of 21.49%. 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 8.10%, were satisfied in addition to regulatory requirements, including the internal so-called management buffer of EUR 250 million.

The key figures include the capital increase of USD 500 million that was carried out on August 2, 2022 and is equivalent to approximately EUR 487 million. A new target CET1 ratio of 17.5% was adopted by the Board. Both measures are intended to support the planned growth in accordance with the CGME Strategy 2023-2025 and the new Target Operating Model.



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

Since 2022, pension fund risk has no longer been managed as a separate risk category, but has instead been ascribed to market price risks (non-trading book risks).

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 ("ESG") 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 2022, CGME's **total pre-settlement exposure limits** (PSE limits) totaled USD 36,919 million, (approx. EUR 34,615 million)[39], and existed *vis-à-vis* a total of 445 counterparties. Of that amount, a total of approximately USD 8,269 million (approx. EUR 7,753 million) were utilized. The limit utilizations in the recently completed fiscal year stabilized after the exposures had increased dramatically in recent years as a result of client migrations related to BREXIT.

Broken down according to **rating classes**, the counterparty credit risk (counterparty risk and credit exposure) to which CGME was exposed as of the end of December 2022 can be shown as follows in terms of the utilizations:

		Dec'20	Dec'21	Sep'22	Nov'22	Dec'22
Exposure by FRR	1	574.5	607.8	652.9	958.5	1,565.2
	2	2,148.2	2,493.5	1,618.3	1,853.3	1,769.9
	3	1,060.2	1,464.8	4,074.7	2,684.4	2,776.6
	4	587.9	2,027.7	3,636.4	4,002.9	3,109.8
	5	239.7	352.6	164.1	264.7	269.6
	6	9.8	28.3	24.5	31.7	39.9
	7	4.0	13.4	129.4	215.9	22.9
	Unrated	116.8	45.8	248.9	226.3	64.7
Grand Total		4,741.2	7,033.8	10,549.3	10,237.7	9,618.6
Weighted Avg FRR		4	4	4-	4-	4

The majority of utilizations (representing a share of approx. 96%) 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[40] 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 (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.

[39] USD 1.00 = EUR 0.9376

[40] 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).

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.

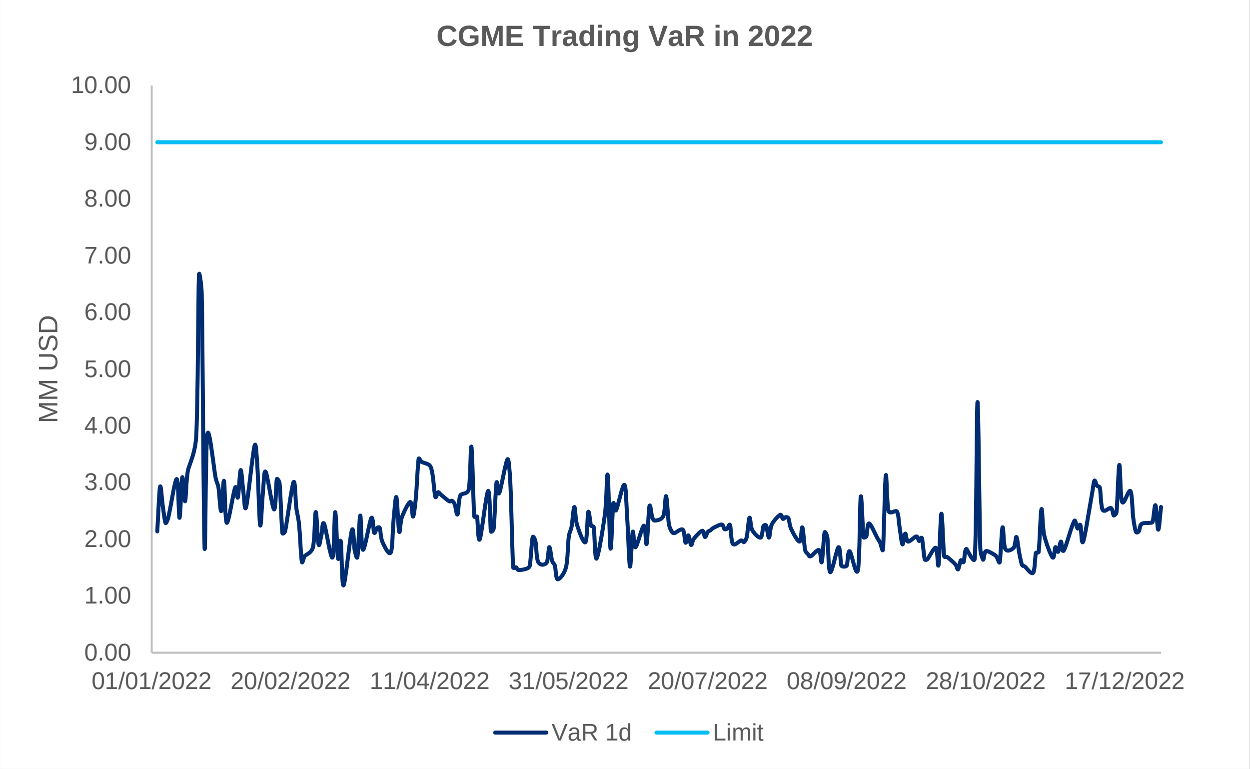
The Group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day, and 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 2022 can be depicted as follows:



The VaR limit was set at USD 9 million in 2022 and continues to exhibit relatively low utilization. [41]

The following risks continued to be the main risk factors in fiscal year 2022:

- Stock price risks, resulting from the trading book activities of the "Public Listed Products" unit and corresponding hedging transactions.
- Interest rate risks resulting from the trading book activities of the “Rates and Currencies” unit. Positions arose mainly from the applied accounting method ("back-to-back") and the not necessarily matching products used for collateralization.

In December 2022, a dynamic hedging strategy for trading book positions was rolled out to provide enhanced protection against severe market movements. Using this process, the applied market risk metrics and stress exposures have been sustainably reduced.

The increased market volatility resulting from the geopolitical situation surrounding the Ukraine-Russia crisis did not have a significant impact on the trading book result of CGME.

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.

With the launch of the risk inventory process in 2022, the decision was made to no longer consider pension fund risks as a separate risk category according to the local risk taxonomy, but rather to allocate the resulting risks to market price risks; as risks unrelated to the trading book. According to the analysis performed in fiscal year 2022, pension fund risks are not considered to be significant risks, although economic capital requirements arising from pension funds are still taken into account in the ICAAP based on the prudence principle (*Vorsichtsprinzip*).

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

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.

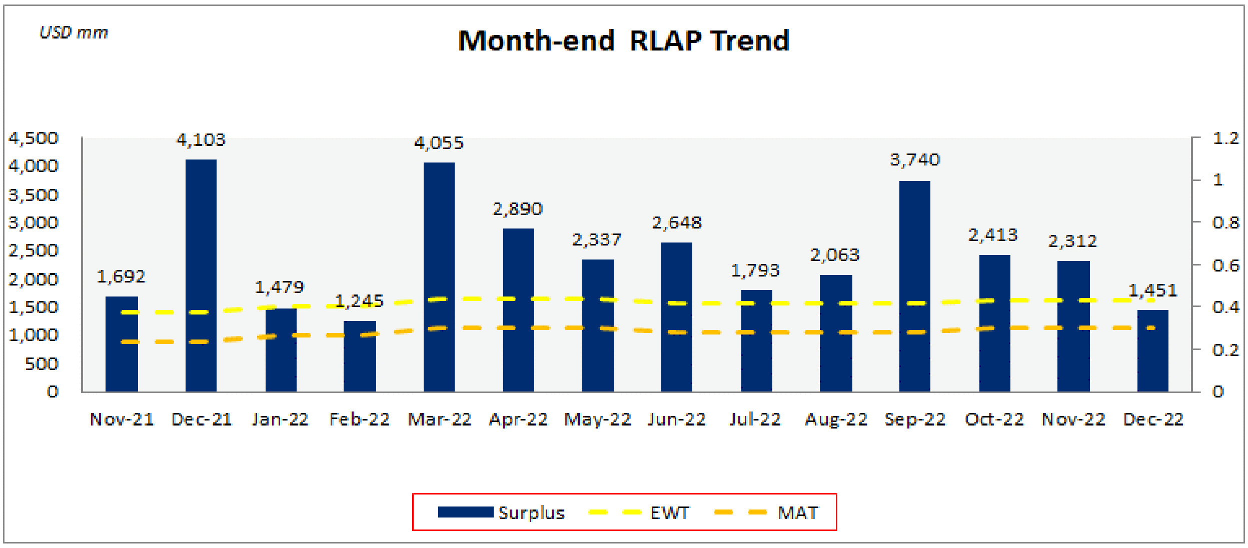
The risk monitoring and management are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a daily basis, both internal and external metrics are used to monitor liquidity risks. The internal metrics consist primarily of the TLST (Term Liquidity Stress Test, with a one-year plan assumption) and RLAP (Resolution Liquidity Adequacy and Positioning, with a 30-day plan assumption). In addition, external regulatory ratios such as the net stable funding ratio or the liquidity coverage ratio are calculated and monitored.

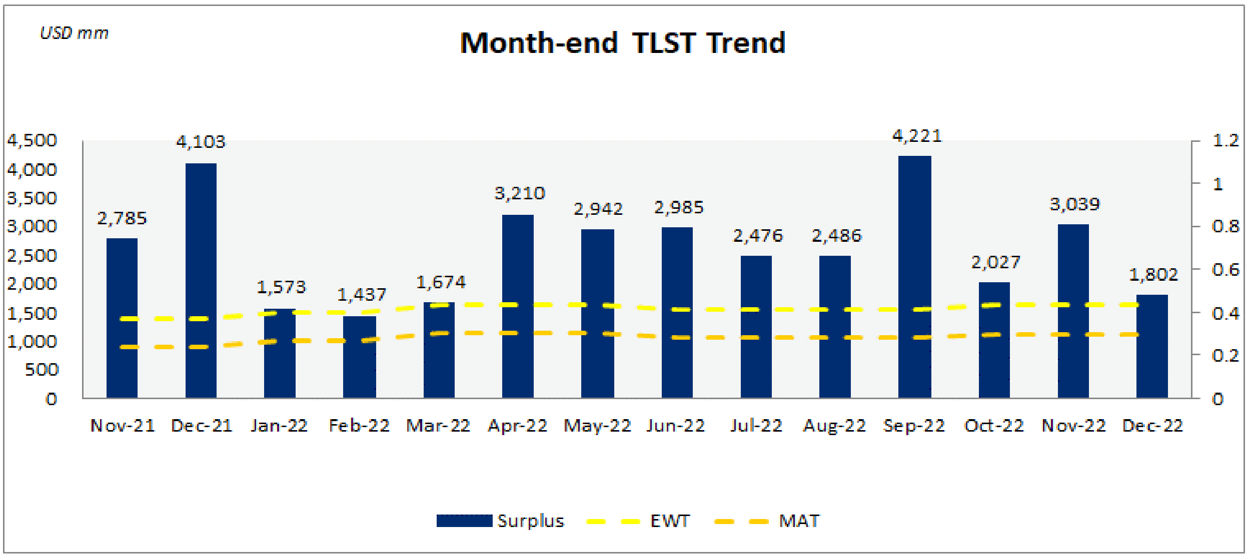
In the second quarter of 2022, an intraday liquidity reserve for CGME was introduced and included in the calculation of TLST and RLAP ratios. Monitoring of the intraday liquidity reserve has been integrated into the Bank's written policies and control processes. Compliance with the corresponding limits is the responsibility of the Risk Controlling Division. The Executive Board receives regular and timely reports on 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 bottlenecks that could result therefrom. In accordance with the relevant EBA Guidelines, the liquidity reserve consists of so-called “high quality liquid assets” (HQLA) and is dedicated purely to liquidity management. Active management of the liquidity reserve is the responsibility of Corporate Treasury.

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 2022, no limit breaches (negative cash flow) were shown in the funding matrix.

Broken down into the individual maturity bands as of the end of fiscal year 2022, 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.

Internal Liquidity Metrics	Q1 2022	Q2 2022	Oct-22	Nov-22	Dec-22	Above Early Warning Trigger	Below Early Warning Trigger	Below Management Action Trigger	Limit
TLST (Low Point Surplus; $ MM)	1674	2985	2027	3039	1802	>=$1620mm	$1620mm - $1120mm	<$1120mm	< $0 mm
TLST (Low Point Surplus Tenor)	O/N	M3	M4-M6	M3	M3				
RLAP (Low Point Surplus; $ MM)	4055	2648	2413	2312	1451	>=$1620mm	$1620mm - $1120mm	<$1120mm	< $0 mm
RLAP (Low Point Surplus Tenor)	O/N	CD14	CD21	CD21	CD26				
Local Regulatory Liquidity Metrics									
Liquidity Coverage Ratio Surplus (€mm)	1669	5568	6141	5092	5168	>=€2600mm	€2600mm - €1300mm	<€1300mm	< €0 mm
Net Stable Funding Ratio Surplus (€mm)	2356	4072	4189	4047	4637	>=€1800mm	€1800mm - €900mm	<€900mm	< €0 mm

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

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”).

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

In addition, for the first time in fiscal year 2022, the Bank developed an ILAAP concept, which was approved by the CGME Executive Board.

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 order to prepare for the potential supply shortages in the energy sector caused by the geopolitical situation, the Bank participated in a cross-regional real-time simulation to prepare for the scenario of a "power outage".

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 2022 fiscal year.

4.5.6 Other significant risks

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 2022, 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 to 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 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 repayment obligations. The tax authorities thereby issued the relevant liability orders (*Haftungsbescheide*) against CGME for the tax assessment period 2015 through 2022. 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 2022, it is not likely that CGME would be exposed to secondary liability with regard to the relevant tax liabilities of customers, which could serve as the basis for asserting claims against CGME.

The tax risks are therefore still considered to be low.

In connection with an external tax audit ordered in 2019 and relating to corporate income tax, trade tax and sales tax for the **assessment and collection periods 2013 to 2015**, there are individual preliminary audit findings that are substantively not material.

In the recently completed fiscal year 2022, a further external tax audit was commenced and addresses corporate income tax, trade tax and sales tax for the **assessment and collection periods 2016 to 2018**. Audit findings are currently not yet available.

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 2022, the regulatory equity capital requirements were met at all times and the risk coverage potential in connection with the economic capital requirement was adequate at all times during the fiscal year in order to support the risk profile resulting from the Bank’s business activity.

The effects of the geopolitical crisis surrounding the Ukraine-Russia war were monitored very closely at all times during the past fiscal year. In this context, effects on trading book positions and counterparty risks in particular were reviewed using portfolio simulations and stress tests in order to be able to make corrections where and when needed. Effects, including second-level effects (*Effekte zweiter Ordnung*) such as the increased inflation rate resulting from the energy crisis, were examined in this context and the findings and conclusion forwarded to the decision-making bodies. The Bank's risk profile has not changed in the long term as a result of the geopolitical crisis, and no significant potential losses have materialized.

The measures taken in connection with the Brexit implementation also resulted in the Bank's risk profile having changed substantially in fiscal year 2022. 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 2023.

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

Corporate Governance Statement

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 and reviews target achievement on a quarterly basis.

At approx. 33%, the target quota for women on the Supervisory Board was achieved by the end of fiscal year 2022.

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 2022, the Executive Board consisted of four female members and one male member. The female quota on the Executive Board was therefore 80% and was thereby well higher than the target quota. At the end of fiscal year 2022, the proportion of women at the two professional position levels below the Executive Board was around 25-29% and thus slightly below the target quota that was set.

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 continue unchanged even in the current candidate and hiring environment shaped by the post COVID-19 trends.

6 Non-Financial Statement

Non-Financial Statement

6.1 Introduction

As an important subsidiary of Citigroup Inc ('Citi'), the ultimate parent group, CGME is subject to the strategy, policies and targets of Citi relating to Environmental, Social and Governance ('ESG') matters. Citi's approach on environmental, social and employee matters, diversity, anti-corruption and anti-bribery matters, and respect for human rights are detailed in its Environmental, Social and Governance ('ESG') Report, Taskforce on Climate-Related Financial Disclosures Report, and Environmental and Social Policy Framework which can be accessed on the Citi website www.citigroup.com/citi/about/esg/.

CGME is developing its local environmental, social policies and disclosures in alignment with Citi, based on applicable sustainable finance regulation and guidance, including the ECB Guide on Climate-Related and Environmental Risks, the EBA Roadmap on Sustainable Finance, the German Minimum Requirements for Risk Management ('MaRisk'), the Non-Financial Reporting Directive and the EU Taxonomy, Capital Requirements Regulation, the MiFID II Sustainability Amendments[42]. This non-financial statement is included in CGME's management report to meet the non-financial reporting requirements. ESG matters and the implementation of ESG-related regulatory and supervisory requirements are a key focus area for CGME. In this context, CGME recognizes ESG risks as drivers of existing financial and non-financial risk categories that can materialise and impact CGME directly or indirectly in line with the definition of ESG risks according to the ECB Guide on Climate-Related and Environmental Risks and the BaFin Guidance Notice on Dealing with Sustainability Risks.

While this year's non-financial disclosure represents a significant enhancement on prior statements, CGME will continue to develop its ESG disclosures over future iterations to address evolving regulatory expectations and stakeholder needs. CGME, as part of Citi, is committed to contributing to methodology improvements and developing tools to assess climate risk and climate data, including the quantification of the greenhouse gas ('GHG') emissions – these capabilities will continue to evolve as the underlying data improves.

Non-financial statements are regulated by Directive 2014/95/EU (Non-Financial Reporting Directive – 'NFRD') amending Directive 2013/34/EU. Germany transposed the NFRD into national law in the German Commercial Code ("Handelsgesetzbuch" – 'HGB'). CGME's non-financial statement discloses information on environmental, social and employee matters, anti-corruption and anti-bribery, and respect for human rights in line with the NFRD and section 289b and 289c HGB. Climate related information is included in the category of environmental matters. The report provides qualitative and quantitative information to enable the understanding of CGME's development, performance, position and impact in regard to these activities.

6.2 ESG at CGME

6.2.1 ESG Strategy and Business Model

As part of Citi, CGME has progressively developed its understanding of ESG issues. Citi has a demonstrated record of ESG progress and is guided by principles for sustainable business and banking, including the Equator Principles, United Nations Environment Programme Finance Initiative Principles for Responsible Banking and the UN Guiding Principles on Business and Human Rights.

Citi's Sustainable Progress Strategy sets out three key pillars of activity that contribute to the world's sustainable development agenda: low-carbon transition, climate risk and sustainable operations.

In 2021, Citi announced two significant new ESG commitments: a pledge to achieve net zero greenhouse gas ('GHG') emissions by 2050 and a commitment of $1 trillion in sustainable finance by 2030 to address the impacts of climate change and other pivotal environmental and social issues that align with the United Nations Sustainable Development Goals ('SDGs').

For CGME, being sustainable means translating our values and strategy into a daily and credible ESG commitment to our internal and external stakeholders, while following Citi's policies and contributing to Citi's ESG commitments.

[42] Delegated Regulation (EU) 2021/1253 of 21 April 2021amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organizational requirements and operating conditions for investment firms

Consistent with Citi's Sustainable Progress Strategy, CGME developed a strategic approach taking into account relevant regional and local regulatory requirements. It focuses on three pillars:

- **Accelerate the transition to a low-carbon economy**: Finance and facilitate low-carbon solutions and support our clients in their decarbonization and transition strategies
- **Measure, manage and reduce ESG risk and impact of our client portfolio**: Continue our work in incorporating ESG risks in our risk management practices, including policy development, portfolio analysis and stakeholder engagement, as well as enhancing our ESG disclosures in line with sustainability reporting requirements
- **Reduce the environmental footprint of our facilities and strengthen our sustainability culture**: Minimize the impact of our own operations through operational footprint goals in line with Citi and further integrate sustainable practices across CGME

CGME is focused on understanding the ways in which ESG risks could impact our business, and on developing ways to measure and manage ESG risks.

For further information on CGME's business model, see section 1.1 Business Model.

6.2.2 ESG Governance

CGME considers ESG risks as drivers of existing risk categories in its strategy, governance and risk management framework. Roles and responsibilities for the management of ESG risks are assigned within CGME's organisational structure and across Businesses, Independent Compliance Risk Management, Independent Risk Management, and Internal Audit. In addition to the roles and responsibilities at legal entity level, CGME collaborates with various subject matter experts and teams across Citi to facilitate a holistic implementation of ESG governance.

In order to meet regulatory, client and other stakeholder requirements as well as to mitigate and manage ESG-related risks, CGME intends to integrate consideration of ESG risks across its portfolios, products, and business operations. In addition, to achieve its ESG goals and contribute to its commitments, while appropriately mitigating and managing identified ESG risks and their impact, CGME aims to monitor key performance indicators ('KPIs') per ESG risk categories: Environmental, Social, and Governance. This will facilitate CGME's effective monitoring and progress towards ESG goals and its contribution to commitments.

CGME Supervisory Board

The CGME Supervisory Board is responsible for overseeing the embedding of ESG risks into CGME's business strategy, governance and risk management framework.

CGME Management Board

The CGME Management Board is ultimately responsible for the establishment of adequate ESG governance and the overall ESG implementation at CGME. This includes the setting and overseeing of ESG targets as well as the incorporation of ESG risks into the risk management framework of CGME. Additionally, the CGME Management Board plays a key role in embedding ESG risks in the business and risk strategy as well as in addressing the implications of the transition to a more sustainable and low-carbon economy.

CGME ESG Working Group

CGME has established an ESG focused working group with representatives from Businesses, Independent Compliance Risk Management, Independent Risk Management, and Internal Audit. The purpose of the ESG Working Group is to act as a cross functional, central forum to bring together expertise from stakeholders across CGME to progress the ESG risk integration across the entity, as well as to monitor and prepare the implementation of regulatory requirements and expectations around ESG risks.

6.2.3 Materiality Assessment

Citi recognizes that in general, assessing materiality requires thoughtful consideration of our purpose in assessing materiality and in communicating to our stakeholders. Citi's public disclosures related to ESG include a range of topics that we believe are relevant to our businesses and that are of interest to our stakeholders.

CGME applies a double materiality approach for the materiality assessment, including both CGME's impacts on sustainability matters ("inside-out" perspective) and how sustainability matters affect CGME's development, performance and position ("outside-in" perspective) as defined in section 289c of the HGB and taking into account the Guidelines on Non-Financial Reporting published by the European Commission. When identifying CGME's approach is guided by four steps[43] that enable the organization to determine its material ESG matters and report them:

- Step 1: Understand the organization's context
- Step 2: Identify actual and potential impacts
- Step 3: Assess the significance of the impacts
- Step 4: Prioritize the most significant impacts for reporting

The first three steps relate to the organization's ongoing identification and assessment of impacts. In the fourth step, the organization prioritizes its most significant impacts for reporting and, in this way, determines its material topics.

To identify actual and potential impacts, CGME conducted a competitor and media analysis and considered material ESG matters identified and disclosed by Citi. The result of this analysis was reviewed with subject matter experts at CGME and Citi level. As a next step, internal stakeholders of CGME were consulted with the aim to understand their concerns and to further assess the significance of the identified impacts. The internal stakeholder survey was also used to further evaluate the significance of the identified topics considering both materiality perspectives.

As a result, a final list of material ESG matters was created for CGME:

ESG Factors	Material ESG Matters	Reference Chapter
Environmental	Climate change	1.3.1 Environmental Matters
	GHG emissions	1.3.1 Environmental Matters
	Operational footprint	1.3.1 Environmental Matters
Social	Diversity, inclusion and equal opportunity	1.3.2 Employee Matters
	Employment conditions	1.3.2 Employee Matters
	Remuneration	1.3.2 Employee Matters
	Innovation and digitisation	1.3.3 Social Matters
	Customer focus	1.3.3 Social Matters
	Human rights	1.3.4 Human Rights
Governance	Anti-financial crime	1.3.5 Anti-Corruption and Bribery Matters
	Digital security	1.3.6 Digital Security

[43] Four-steps approach as defined by the Global Reporting Initiative ("GRI")

6.2.4 Stakeholder Dialogue

CGME is committed to meeting its legal obligations and voluntary commitments to sustainability and the advancement of human and worker rights. CGME actively engages with its regulators, clients, and workforce to understand key areas of concern and opportunities for improvement.

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

The CGME Management Board considers and discusses information from across the organisation to help it understand the impact on CGME's operations and the interests and views of its key stakeholders.

Stakeholder group	Engagement
Clients and customers CGME's clients include corporates, financial institutions, institutional investors and public sector entities. The entity's capabilities and product offerings are based on Citi's Institutional Client Group.	The CGME Management Board receives regular reporting of client performance and themes, allowing an understanding and oversight of the direction of client sentiment. Citi performs a Voice of the Client survey which provides in-depth understanding of the clients' needs and expectations, alongside regular client performance and service benchmarking, leveraging external reporting and analysis where appropriate.
Employees	Colleagues are encouraged to present their suggestions and views to CGME through various channels, including an employee representative body and the Voice of the Employee survey, the results of which are presented to the CGME Management Board each year by Human Resources. The CGME Management Board requests presentations on areas such as employee resilience and mental health in response to identified areas of focus.
Suppliers	CGME has a well-established framework for the engagement with and on-going relationship management and controls relating to risks of its key suppliers, ensuring shared values in the conduct of their business.
Communities	As part of Citi, CGME is in regular dialogue with charities and Non-Governmental Organisations, as part of its community investing commitment and mission to support the communities in which it operates. CGME works closely with community partners to understand the issues local communities are facing so that it can respond appropriately by providing funding, volunteers or other support as needed.
Government and Regulators Primary regulatory engagement for CGME is with the European	CGME maintains an open and regular engagement with regulators to ensure clarity and transparency over its strategy, key risks and opportunities, and progress on ongoing initiatives.

Central Bank and BaFin supervisory teams.	Regulatory engagement is maintained both at the CGME Management Board as well as the senior management level to ensure regulatory requirements and expectations are consistently understood and met.
Policymakers	As part of Citi, CGME engages with policymakers both directly and as part of industry efforts, as a member of several financial services trade associations.

6.2.5 ESG Risks and Risk Management

ESG risks include environmental, social and governance risks which can be defined as risks of any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets[44].

Environmental risks are divided into climate-related and other environmental risks resulting from climate change and environmental degradation. Social risks are related to human rights, well-being and health of people and communities, and include factors such as diversity, equality, inclusiveness, labour relations, workplace health and safety. Governance risks are related to governance practices, including business ethics, anti-corruption and bribery, transparency and trust, data security, tax honesty, shareholder rights, board remuneration and information disclosure.

Working towards a broader ESG risk consideration in our business, CGME incorporated ESG risks with a focus on climate and environmental risks in the Risk Identification and Assessment Process ('RIAP') as well as in the Risk Strategy, ICAAP and CGME's Enterprise Risk Management Framework. In addition, CGME envisages to consider ESG risks in risk reporting going forward. In line with its ESG strategy, CGME is committed to maintain strong and consistent ESG risk management practices.

At group level, Citi has developed an end-to-end Climate Risk Management Framework ('CRMF') to promote a globally consistent approach to managing climate risk across the bank. In addition to the CRMF, Citi's long-standing Environmental and Social Risk Management ('ESRM') Policy applies to all Citi entities globally and provides a framework for how we identify, mitigate, and manage the potential risk to Citi associated with the environmental and social risks of our clients' activities.

ESG Risk Management

CGME considers ESG risk as a crosscutting risk category which can manifest through transmission channels or amplify existing risks within CGME's risk taxonomy. Transmission channels are the causal chains that explain how ESG risk drivers may materialize directly or indirectly as sources of financial or non-financial risks. ESG risks are incorporated into CGME's risk management activities across the risk management lifecycle (risk identification, risk measurement, risk monitoring, risk control and risk reporting).

To assess how environmental and in particular climate risk drivers may impact CGME's risk exposures, CGME assesses the associated transition and physical risks. Physical risks originate from the increase in severity and frequency of either acute physical risks, which are related to extreme weather events (e.g., storms, floods) and an acute destruction of the environment, or chronic physical events which stem from longer term shifts in particular caused by climate change (e.g., average precipitation changes which may drive long-term shifts in agriculture and water availability). Transition Risks result from action (or lack of action) to transition to a low-carbon economy and more environmentally sustainable economy, such as changes in regulations, technological developments, stakeholder expectations and legal implications.

Using industry classifications, based on data and internal expert insights, Citi has assessed the exposure of different sectors to climate risk and has created a heat map. The heat map allows CGME to efficiently

[44] See the "EBA Report on management and supervision of ESG risks for credit institutions and investment firms" (EBA/REP/2021/18)

screen its portfolio to identify the areas with the highest exposure to transition and physical risks and accordingly focus on further assessing and managing these risks.

For physical risk, the heat map is based on the degree to which sectors and subsectors are exposed to the impacts of extreme weather events or changes to weather patterns.

For transition risk, the heat map is based on the degree to which sectors and subsectors are exposed to policy, technology and/or market shifts in the short to medium term.

6.3 Reporting on Material ESG Matters

6.3.1 Environmental Matters

Climate Change

Citi and CGME understand critical sustainability issues, including climate change, and recognise the important role of the financial sector in addressing this crisis by supporting the transition to a sustainable and low-carbon economy.

CGME recognizes the complexity of developing solutions to these challenges, which require a combination of strong governmental policy and regulatory frameworks, corporate leadership, stakeholder engagement and individual actions. To continue advancing our response to these challenges, in 2020 Citi launched an updated Sustainable Progress Strategy, which CGME's ESG Strategy was designed to align with and augment.

Net zero commitment

In 2021, Citi announced the commitment to net zero GHG emissions by 2050 in alignment with the objectives of the Paris Agreement and prevailing climate science. The net zero commitment includes both financed emissions and own operations. For operations, Citi is targeting net zero emissions by 2030 which builds on the global operational footprint goals and the 100% renewable electricity goal that Citi achieved in 2020. CGME's ESG strategy is aligned to Citi's policies and initiatives, including the net zero commitment and operational footprint goals outlined in the Taskforce on Climate-Related Financial Disclosures Report.

As it relates to CGME, the following metrics were identified to monitor the carbon intensity of the entity's assets. KPIs have been selected and calculated based on the recommendations of the Guidelines on Non-Financial Reporting.[45]

Amount or percentage of carbon-related assets for CGME

The amount or percentage of carbon-related assets shows the exposures towards sectors that highly contribute to climate change in line with the Commission Delegated Regulation (EU) 2020/1818. In the banking book, the volume of carbon-related assets is calculated for Securities Financing Transactions ('SFTs')[46] as these represent CGME's largest portfolio of loans and advances as of December 31, 2022. In the trading book, the KPI is calculated for derivatives, which account for 96% of financial assets held for trading as of December 31, 2022.

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45 Supplement on reporting climate-related information (2019/C 209/01) which is a supplement to the Guidelines on Non-Financial Reporting adopted by the European Commission in 2017 (C(2017) 4234 final)

46 Including repos, reverse-repos, etc.

KPI description	Description	Unit of measure	Securities Financing Transactions	Derivatives
Amount of carbon-related assets	Exposures towards sectors that highly contribute to climate change (NACE A-H, L categories)[47] calculated for SFTs (banking book) and derivatives (trading book)	EUR million	0	598
Carbon-related assets as a percentage of the current portfolio value		%	0%	12%

Volume of exposures by sector of counterparty for CGME

The volume of exposures by sector of counterparty shows the concentration of exposures towards high-carbon and low-carbon sectors. Exposures are grouped into major and moderate impact industries based on vulnerability to Citi's climate risk heatmap[48].

In line with the amount or percentage of carbon-related assets, the volume of exposures by sector of counterparty is calculated for SFTs in the banking book and derivatives in trading book as of December 31, 2022.

Securities Financing Transactions in the banking book (gross carrying amount):

Vulnerability category	Balance in EUR million	%
Major	0	0%
Moderate	0	0%
Other	15,199	100%
Total	15,199	100%

Derivatives in the trading book (mark-to-market value):

Vulnerability category	Balance in EUR million	%
Major	82	2%
Moderate	544	10%
Other	4,550	88%
Total	5,176	100%

CGME's ESG strategy intends to align to Citi policies and initiatives, while meeting European regulatory requirements. CGME is aware of the risk of exposure towards high vulnerability sectors and aims to monitor the future development of this exposure to consider appropriate mitigation measures.

[47] Exposures towards sectors that highly contribute to climate change: In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

[48] Major impact industries based on Citi heatmap 2022: Oil & Gas, Auto & Motorcycle Manufacturers, Moderate impact industries based on Citi heatmap 2022: Chemicals, Commercial Real Estate, Residential Real Estate, Multi-Utilities and Electric Utilities, Agricultural Products, Airlines and Tour Operators, Auto-related Fincos, Beverages, Building products & related, Reinsurance, Metals & mining, Food products, Paper Forest Products & Packaging, Shipping & Maritime Logistics excl. Offshore, Commodity Trader

Operational Footprint and GHG Emissions

As part of Citi, CGME is working towards the 2025 operational footprint goals, which aim to reduce GHG emissions and energy consumption for the operations. These goals cover GHG emissions, energy use, water consumption, waste reduction and diversion, and sustainable building design.

Citi's emissions are calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions CGME is responsible for across Scope 1 (building emissions such as direct gas, diesel consumption or emissions of Citi's car fleet), Scope 2 (location-based building emissions such as electricity, district steam) and Scope 3 business travel (car, air, rail emissions).

Citi's Net Zero Operations team gathers data from its operations on an ongoing basis, with primary evidence sourced from vendors and power companies. Where Citi pay for occupancy via service charges and the share of consumption is not known, consumption is calculated by benchmarking the energy / square foot against our global portfolio. CGME calculates GHG emissions in line with Citi's methodology. A summary of CGME's GHG emissions in 2022 is provided below in tonnes (t) of CO_2 equivalent (e). For 2022 CGME focused on calculating emissions from its own operations including the emissions resulting from business travel.

Greenhouse Gas (GHG) Emissions	Unit	2022
Scope 1 – Direct	tCO_2e	28
Scope 2 – Indirect	tCO_2e	363
Scope 3 – Business Travel	tCO_2e	473
Total	tCO_2e	864

CGME is committed to reducing its operational footprint by using energy and other resources efficiently, by purchasing renewable energy and leasing certified office buildings.

CGME sources 100% renewable electricity through green tariffs for electricity purchased directly at locations in Germany, France, Italy and UK. Where electricity is obtained in leased properties from landlords, EU Guarantee of Origin certificates are purchased for the equivalent amount used.

Business travel emissions (Scope 3 Category 6) include emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, and passenger cars.

Sustainable Building Principles

Whether undertaking new construction or renovating existing buildings, CGME shares the Group's principles in prioritizing efficiency and sustainability, to minimize the environmental impact of our facilities across the globe. Since Citi's own operations consist largely of buildings, Citi has developed and is piloting requirements for new and newly leased Citi buildings to be zero carbon by 2030, in support of our net zero commitments. These requirements address both operational and embodied carbon emissions, inclusive of energy use, energy supply, integration with utilities and material use.

Efficient Travel Options

For many years, Citi has encouraged employees to use video and web conferencing technologies rather than traveling, whenever possible. With the onset of the global pandemic, Citi quickly transitioned the entire company to adopt use of these platforms for their daily interactions. Many of our offices are centrally located near public transportation, which reduces the need for employees to drive to work. Now that many colleagues across the firm have started traveling again, we are working to build awareness for how business travel impacts our carbon footprint.

EU Taxonomy Regulation

EU Taxonomy is a classification system that converts the climate and environmental goals of the European Union into criteria for environmentally sustainable economic activities. The reporting obligation under Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852) and the Delegated Acts (Regulation (EU) 2021/2178) define key reporting requirements and are to be carried out in two stages:

For the current year, financial undertakings are only required to report on taxonomy-eligible economic activities. An economic activity is considered taxonomy-eligible if it falls within the regulatory scope of the EU Taxonomy. According to the EU Taxonomy Regulation, eligibility-related disclosures of financial undertakings in scope of Article 8 of the Taxonomy Regulation shall be based on actual information provided by financial or non-financial undertakings. CGME uses the most recently available information provided by its financial and non-financial counterparties for their eligibility reporting based on external third party data.

From January 2024, financial undertakings need to report on their taxonomy-alignment. A taxonomy-eligible activity becomes taxonomy-aligned, if it substantially contributes to one of the six EU Taxonomy environmental objectives, while also not doing significantly harm to any of those objectives and meeting minimum safeguards on human rights and labour standards.

As EU Taxonomy information was due to be disclosed for the first time in 2022, there is still limited data availability from our counterparties on the Taxonomy-eligibility of their economic activities. As the EU Taxonomy develops further and taxonomy-alignment data becomes available, CGME aims to utilise the Taxonomy to a greater extent within the business strategy, product design processes and engagement with clients.

CGME provides institutional clients with a wide range of Institutional Clients Group product offerings. As CGME's trading business is not in scope of the EU Taxonomy reporting for the year ended December 31, 2022, only Securities Financing Transactions in CGME's banking book are considered for the Taxonomy-eligibility assessment.

The following table shows the proportion of CGME's exposures to taxonomy-eligible and taxonomy non-eligible activities in its total assets:

	Balance sheet positions		Gross Carrying Amount
			%
	Total assets covered by the taxonomy ratio over total balance sheet assets		**71%**
1	**Assets in scope of taxonomy assessment over assets covered by the taxonomy ratio**		**6%**
	Turnover-based		
	Eligible		1%
	Non-eligible		5%
	Assets not in scope of taxonomy assessment over assets covered by the taxonomy ratio		**94%**
2		Derivates	0%
3		Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU	44%
4		Proportion of on demand interbank loans	0%
5		Other excluded assets (such as brokerage payables and receivables, cash and cash-related assets, other assets)	50%
	Total assets not in scope of taxonomy over total balance sheet assets		**29%**
6		Exposures to central governments, central banks and supranational issuers	1%
7		Proportion of trading portfolio (including trading book derivatives)	28%
	Total balance sheet assets		**100%**

6.3.2 Employee Matters

Diversity, inclusion and equal opportunity

Diversity and inclusion are critical to the future success and growth of CGME. CGME is fully committed to equal employment opportunities and compliance with the laws regarding fair employment practices and non-discrimination.

Human Resources will continue to ensure a diversity lens is part of our performance discussions, leadership and our people processes. A particular focus will be ensuring that we have gender diversity in senior leadership positions. The CGME Supervisory Board has approved a Diversity Policy for CGME in September 2022 setting an aspirational representation goal of at least 30% female representation for CGME Management Board positions and for CGME Supervisory Board positions from 2022 onwards. In addition, CGME has established a quarterly monitoring of the female representation of employees in order to take appropriate actions if representation goals are not met.

CGME is also working on gender diverse representation in our talent pipeline when recruiting into our graduate programmes.

Female representation of employees

Description	Unit	31 Dec 2022	Aspirational goal 2023-2025
CGME Directors and Managing Directors female representation	%	25	≥ 30
CGME Assistant Vice President and above female representation	%	29	≥ 30

Female representation of the Management Body

Description	Unit	31 Dec 2022	Aspirational goal 2023-2025
Female representation of Board members			
Supervisory Board	%	33	≥ 30
Management Board	%	71	≥ 30

Employment Conditions

Talent

The CGME talent management strategy covers the entire life cycle of our employees. It is fully aligned with CGME's leadership, mobility, performance management strategy, diversity and engagement strategy and integrated into its people management processes to bring CGME's strategy to life.

CGME is committed to identify, attract, develop, and retain diverse talent as this is essential for delivering CGME's strategy and meeting regulatory expectations. CGME recognises that the success of its business depends on the implementation of an effective talent management framework.

Training

CGME maintains a mandatory training program underpinned by a standard operating procedure and process, which is owned and monitored by the Compliance team. This includes training on, amongst other things, the CGME's Code of Conduct, whistleblowing, anti-money laundering and market abuse policies.

In addition, a variety of learning courses and content are available to employees to support their continuous development and learning needs in their individual roles. A further suite of learning content is provided to managers to deepen their management and leadership capabilities and ensure they are appropriately trained on how to communicate and have crucial conversations, effective delegation, giving feedback and coaching, promoting teamwork, inclusion and managing risk responsibly.

Well-being at work

Citi aims to create workspaces that promote employee wellness, and engage employees in order to maintain a culture of safety, sustainability and wellness. When looking at how workplaces can affect employees' well-being, it is important to manage air quality and acoustics, as well as providing ergonomic furniture, opportunities to stay active, provide healthy food options and a work environment that is both flexible and effective.

Live Well is a programme designed to support the physical and mental well-being of Citi employees by promoting a culture of health, learn more about healthy nutrition and exercise, prevention, living tobacco free, and mental health and balance. CGME is fully aligned to Live Well.

Employees in the Community

Across CGME, employees continue to support their local communities. Each year, there are numerous initiatives and events held to engage with communities and charity partners. The employees are the key driver and the continued commitment and efforts not only make CGME a better place, but also the communities, which we have come to call home across the region.

Citi Foundation

The Citi Foundation is active across the globe, including in Europe. Its "Pathways to Progress" commitment will complete in 2023. The Foundation is launching a new model for international giving and has piloted its first ever Global Innovation Challenge using an open-source process to identify grantees. A number of Citi Foundation Pathways grant partnerships in Europe will complete in 2023, whilst others will receive one further year of funding to ensure a well-managed exit. The Global Innovation Challenge is providing new opportunities to engage with Non-Governmental Organisations in Europe. Further details on the Global Innovation Challenge launch are available on the Citi Foundation website.

The humanitarian impact of the war in Ukraine continues to be closely monitored. Following engagement with Citi teams in Poland and Ukraine, further Foundation grants to local Non-Governmental Organisations in response to the crisis are currently being explored.

Remuneration

CGME believes that remuneration is a key tool to reinforce and embed a firm's desired culture. Employee compensation is a critical tool in the successful execution of CGME's corporate goals. As long-term value creation requires balancing strategic goals, so does developing compensation programs that incentivise balanced behaviours in support of our culture. CGME is fully aligned with the Citi Global Compensation Philosophy.

CGME aims to implement a broadly consistent global philosophy and framework in relation to its remuneration policies and practices in line with the global organization and local regulatory requirements. Incentive compensation is awarded/allocated based on overall performance of Citi, the individual's business unit and their individual contribution. CGME compensation policies and practices are overseen by the CGME Control Functions Remuneration Panel ('CFRP'), CGME Management Board and CGME Supervisory Board.

6.3.3 Social Matters

Innovation and Digitisation

Through Citi's transformation, Citi and CGME are working to modernize and simplify the organisation so that we can better manage risk, improve our service to customers and clients and make CGME an easier place to work. Through the modernization of the data infrastructure and operations, and by evolving our culture, we are strengthening our safety and soundness and improving our ability in the digital age.

Citi and CGME are observing the shift to digital delivery and architecture by our clients, financial market intermediaries, central banks and the fintech industry.

Customer Focus

CGME's mission, which is aligned with Citi, is to achieve the best results for clients by responsibly providing innovative financial services that enable growth and economic progress while fulfilling its responsibilities to the environment and society. As part of our sustainability transition, we aim to become a more resilient bank through an understanding of sustainability issues and clients' needs, providing orientation and advice around ESG and related products and services for clients.

When designing variable incentive plans, we consider compliance with our Principles for the Fair Treatment of Customers and internal policies as well as our Code of Conduct.

As part of the program, our employees complete various trainings which aim to ensure they understand how to identify issues of fairness or potential conflicts of interests and how fairness influences real world results respectively how to manage conflicts in an appropriate manner.

6.3.4 Human Rights

Citi and CGME support the protection and fulfilment of human rights around the world and are guided by fundamental principles of human rights, such as those in the UN Universal Declaration of Human Rights, the International Labour Organization's ('ILO') Declaration on Fundamental Principles and Rights at Work and UN Guiding Principles on Business and Human Rights. Our commitment to fair, ethical and responsible business practices, as we engage with employees, clients, vendors and communities around the world, is embodied in our values and Code of Conduct.

Citi's policies, standards and due diligence practices guide our business decisions with respect to human rights. The Citi Requirements for Suppliers document details some of the obligations that Suppliers must meet while doing business with Citi.

Citi's Environmental and Social Policy Framework additionally sets out Citi's process for reviewing social risks associated with transactions, and includes certain policy prohibitions and areas of high caution.

To learn more about Citi's commitment to human rights, see Citi Statement on Human Rights.

6.3.5 Anti-Corruption and Bribery Matters

As a global financial institution that offers banking, securities and insurance products to millions of customers around the world, Citi recognizes its obligation to join with governments, international organizations and other members of the financial industry to help close off the financial channels that terrorists and money launderers use for their illicit purposes.

CGME embraces Citi's mission of enabling growth and economic progress, while adhering to the highest ethical standards. CGME asks its colleagues to ensure their decisions pass three tests: they are in our clients' interests, create economic value, and are always systemically responsible.

Citi has policies, procedures and internal controls to comply with anti-bribery laws and conducts an annual bribery risk assessment of all global business lines. Anti-Bribery & Corruption related training is provided to Citi staff annually and is supplemented with targeted training and communications as needed. For more information, see the Citi Anti-Bribery & Corruption Program Statement, which is updated at least annually.

Anti-Financial Crime

Citi established a number of enterprise-level programs and training to help combat financial crimes which partner with CGME Compliance as well as with business lines and functions:

- The Global Sanctions Program monitors and fosters awareness of applicable sanctions laws and regulations, assesses sanctions risk exposure, oversees the quality of sanctions control processes, and sets global policies/standards/processes to identify, measure, monitor, and manage sanctions risk.
- The Global AML Program is designed to protect both our clients and our franchise from the risks of money laundering, terrorist financing and other financial crimes.
- Global Financial Crimes Investigations and Intelligence ('GFCII') is uniquely positioned within Citi's Compliance function to tackle financial crime and provide a globally consistent approach to the prevention and detection of risk.

These programs support Citi and CGME' efforts to grow a successful, respected business that delivers the best possible results for clients, customers, and communities, while managing the inherent risks associated with financial crimes.

6.3.6 Digital Security

Ensuring the privacy and security of financial data is an essential responsibility of the financial industry. As growth in mobile banking and cloud storage continues and more of CGME's operations become technology- and internet-dependent, data security will be an increasingly important issue to manage.

Sophisticated technology and continuous training of personnel are essential in a world of growing cybersecurity threats. CGME engages high efforts related to safeguarding data against emerging and continuously evolving cybersecurity threats and technologies, and actual security breaches compromising customers' personally identifiable information (PII).

Citi maintains a Cyber & information security policy that is regular reviewed and updated as needed.

Citi's cyber and information security program sets the requirements under which Citi, its subsidiaries, affiliates, and third parties safeguard the confidentiality, integrity, and availability of information and information assets. Protecting the information is essential to meeting Citi's obligations to its customers, partners, and workers, as well as complying with applicable cyber and information security laws, regulations, and due care obligations, and meeting the expectations of regulators and authorities.

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

Der Executive Board of Citigroup Global Markets Europe AG has prepared a report regarding the relations with affiliated enterprises for the recently completed fiscal year 2022, 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 14, 2023

Citigroup Global Markets Europe AG

The Executive Board

Dr. Jasmin Kölbl-Vogt (CEO)

Sylvie Renaud-Calmel

Oliver Russmann

Amela Sapcanin

Jean Young

Balance Sheet for the Fiscal Year as of December 31, 2022
Citigroup Global Markets Europe AG, Frankfurt am Main

Assets		EUR	EUR	EUR	PY kEUR
1. Cash reserve					
a) Cash on hand			-.--		-
b) Credit balances held at central banks			496,000,000.00		-
of which: at the German Bundesbank (German Central Bank)	EUR 496,000,000.00 (PY kEUR -)				
c) Credit balances held at post giro offices			-.--	496,000,000.00	-
3. Receivables from banks					
a) Due upon demand			833,902,484.88		1,882,879
b) Other receivables			-.--	833,902,484.88	-
4. Receivables from clients				27,863,340,864.81	24,800,615
of which: secured through in rem security interests (Grundpfandrechte)	EUR -.-- (PY kEUR -)				
municipal loans	EUR -.-- (PY kEUR -)				
6a Trading portfolio assets				11,703,562,901.99	47,750,128
7. Equity investments				1,135,714.07	1,136
of which: held in credit institutions	EUR -.-- (PY kEUR -)				
held in financial services institutions	EUR -.-- (PY kEUR -)				
held in Securities Trading Firms	EUR -.-- (PY kEUR -)				

9. Trustee assets				
of which: trustee loans	EUR 446,355,693.57 (PY kEUR 338,042)		446,355,693.57	338,042
11. 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		4,361.13		44
c) Goodwill		56,116,667.00		65,217
d) Prepayments		-.--	56,121,028.13	-
12. Tangible assets			17,064,116.17	8,508
14. Other assets			1,097,787,682.27	9,030,656
15. Prepaid and deferred items			1,232,587.89	804
17. Excess of plan assets over post-employment benefit liability			33,205.00	35
Total assets			42,516,536,278.78	83,878,064

		EUR	EUR	EUR	PY kEUR
					Liabilities
1. Liabilities owed to banks					
a) Payable on demand			205,902,606.92		1,825,961
b) Having an agreed term or notice period			-.--	205,902,606.92	-
2. Liabilities owed to clients					
a) Savings deposits					
aa) with an agreed notice period of three months		-.--			-
ab) with agreed notice period of more than three months		-.--	-.--		-
b) Other liabilities					
ba) payable on demand		8,670,371,325.13			20,351,832
bb) having an agreed term or notice period		18,468,217,233.08	27,138,588,558.21	27,138,588,558.21	1,589,264
3a Trading portfolio liabilities				9,901,841,734.57	47,725,053
4. Trustee Liabilities				446,355,693.57	338,042
of which: trustee loans	EUR 446,355,693.57 (PY kEUR 338,042)				
5. Other liabilities				802,056,857.75	8,582,291

6. Deferred income				7,711,935.00	-
7. Accrued liabilities					
a) Pensions and similar obligations			57,130,200.00		30,121
b) Tax reserves			7,419,700.60		19,258
c) Other accrued liabilities			167,322,320.96	231,872,221.56	131,481
11. Fund / Reserve for general bank risks				31,833,610.23	28,334
of which: Reserve as defined in § 340e (4) HGB EUR 31,833,610.23 (PY kEUR 28,334)					
12. Equity capital					
a) Subscribed capital		242,393,054.05	242,393,054.05		242,393
b) Capital reserve		3,405,961,524.46	3,405,961,524.46		2,919,340
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		61,665,971.21	94,693,168.36		44,767
d) Unappropriated earnings/loss (balance sheet profit/loss)			7,325,314.10	3,750,373,060.97	16,899
Total liabilities and equity capital				42,516,536,278.78	83,878,064

Income Statement
for the Period of January 1, 2022 through December 31, 2022
Citigroup Global Markets Europe AG, Frankfurt am Main

	EUR	EUR	EUR	01/01/2021 - 12/31/2021 kEUR
1. Interest income from				
a) Loans and money market transactions	210,866,022.42			87,280
2. Negative interest income from				
a) Loans and money market transactions	19,314,119.47	191,551,902.95		68,783
3. Interest expenses	259,830,465.59			106,700
4. Positive interest from loans and money market transactions	8,527,244.48	-251,303,221.11	-59,751,318.16	49,955
5. Current income from				
a) Shares and other variable-yield securities		-. --		-
b) Equity investments		436,303.22		385
c) Interests in affiliated enterprises		-. --	436,303.22	-
6. Commission income		671,611,956.63		720,919
7. Commission expenses		274,334,615.40	397,277,341.23	328,437
8. Net income from financial trading portfolio			107,899,318.85	96,520
included therein are deposits into special reserve accounts per § 340e (4) HGB EUR 3,500,000.00 (01/01/2021-12/31/2021 kEUR-.-)				
9. Other operating income			146,071,665.24	54,391
10. Allgemeine Verwaltungsaufwendungen				
a) Personnel expenses				
aa) wages and salaries	215,999,886.43			197,308
ab) social security contributions, pension and welfare expenses	23,077,576.90	239,077,463.33		22,864
of which: for pensions EUR 15,189,962.16 (01/01/2021-12/31/2021: kEUR 15,607)				
b) other administrative expenses		267,402,248.10	506,479,711.43	231,776
11. Depreciation, amortisation and write-downs of tangible and intangible assets			11,858,079.26	10,081
12. Other operating expenses			33,198,870.36	14,776
13. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves		140,637.00		-

14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	-. --	-140,637.00	-
15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		-. --	-
16. Results from ordinary operations / Earnings before taxes		40,256,012.33	28,725
17. Taxes on income and earnings	32,930,698.23		11,826
18. Other taxes, to the extent not included in item 12	-. --	32,930,698.23	-
19. Income from loss transfers		-. --	-
20. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		-. --	-
21. Annual net profit / loss		7,325,314.10	16,899
22. Profit carried forward/loss carried forward from prior year		-. --	-
		7,325,314.10	16,899
23. Transfers from capital reserves		-. --	-
		-. --	-
24. Transfers 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 earnings 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 earnings reserves	-. --	-. --	-
		-. --	-
27. Replenishment of capital with profit participation rights (Genussrechtskapital)		-. --	-
28. Unappropriated earnings (balance sheet profit)		7,325,314.10	16,899

Citigroup Global Markets Europe AG,
Frankfurt am Main

Notes
to the Financial Statements for the Fiscal Year of
January 1, 2022 through December 31, 2022

Principles of the Accounting

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.

CGME is not a capital markets-oriented corporation within the meaning of § 264d of the German Commercial Code (abbreviated herein as "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 2022 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 the most recently completed fiscal year.

CGME is 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")

The annual financial statements for the fiscal year of January 1 through December 31, 2022 ("Fiscal Year") were prepared in accordance with the provisions of the 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 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.

The annual financial statements and the management report for Fiscal Year 2022 were adopted by the the Executive Board of CGME on April 14, 2023 and will be published in the Federal Gazette (*Bundesanzeiger*).

ACCOUNTING AND VALUATION POLICIES

(1) Cash reserve

The balance sheet item comprises balances with central banks, which are recognized at their nominal amount.

(2) Receivables

Receivables from banks and clients are recognized on the balance sheet at their nominal value plus accrued interest. For counterparty credit (or default) risks, appropriate risk provisioning in the amount of the anticipated default was taken into account, where necessary, in accordance with the valuation principles under commercial law.

Standard valuation allowances have been created on the balance sheet to account for general credit risks. In the absence of any historical loan defaults, these allowances now cover potential losses for the future, while factoring in current information and expectations regarding the risk situation. In accordance with IDW Statement IDW RS BFA 7 of February 8, 2020, the election or option of using a simplified model was exercised when determining the standard valuation allowances, whereby the standard allowances were determined for the first time in the reporting year using the so-called "IFRS 9 phased model". As of December 31, 2022, there were no loans or credits that would need to be allocated to risk levels 2 and 3 in terms of their expected counterparty default risk.

In addition to the client-specific credit ratings and expected credit default probabilities, the calculation of the standard allowances also takes into account, among other things, macroeconomic factors of the countries in which the CGME clients have their registered headquarters (e.g., gross domestic product, unemployment rate), which can generally influence the client-specific counterparty default risk. The respective factors are reviewed on a quarterly basis in terms of appropriateness and then adjusted, if necessary. Furthermore, the valuation parameters are subject to regular sensitivity analysis in order to determine the influence of macro-economic factors on expected loan losses.

An adjustment of the model results in the form of a Top Level Adjustment (TLA), for example, due to the knock-on effects of the Russian/Ukraine war and the COVI pandemic, was not carried out.

The change in the calculation of standard allowances covering general counterparty risks in the past fiscal year from the previous approach to the "IFRS 9 valuation method" is considered permissible in accordance with the provisions of § 246 (3) sentence 2 HGB in conjunction with § 252 (2) HGB, inasmuch as the change in the valuation method provides a better snapshot of the actual situation in accordance with generally accepted accounting principles. In addition, CGME's approach follows the risk identification and valuation methods applied within the Citigroup group.

Due to the change in the valuation procedure from the previous year, there was an insignificant additional valuation expense of EUR 0.1 million in the past fiscal year.

(3) Financial instruments of the trading portfolio

Accounting

In accordance with the statutory provisions of § 340e HGB, financial instruments traded on and off the stock exchange may be recognized at the trade date or at the settlement date. In view of Citigroup's uniform rules, according to which, from the point of view of the Group parent company, accounting as of the **settlement date** leads to a more relevant and reliable presentation of assets and liabilities in the balance sheet, CGME decided, in exercising its right of election in the past fiscal year and in deviation from the previous year before that, to record the trading transactions with financial instruments and the resulting receivables as of the settlement date for accounting and balance sheet purposes.

Compared with the previous year, this new accounting approach results in a total decrease of around EUR 2 billion as of December 31, 2022 in current receivables from counterparties that arose from trading in financial instruments that had previously already been recognized in the accounts as of the trade date. The amount of receivables recognized in this respect at the end of the previous year was like approximately EUR 2 billion. There were no effects on the results of operations of CGME in 2022 due to the change in settlement date accounting.

In its financial statements as of December 31, 2022, CGME has offset positive and negative fair values as well as the related settlement payments (cash collateral) of trading portfolio derivatives that were traded over-the-counter with central counterparties and non-central counterparties (OTC derivatives). The exercise of the **netting election** under German commercial law, in contrast to the previous year, results from an economic approach according to which an existing net position can, under certain conditions, be regarded as fictitiously fulfilled by the collateral that is provided in cash, thereby yielding an overall net presentation of the (bilateral) OTC derivatives.

A prerequisite for the netting is, among other things, a master agreement with an enforceable collateralization appendix (*Besicherungsanhang*) and a daily exchange of cash collateral from which only an insignificant credit or liquidity risk remains. Positive fair values from derivative financial instruments are initially offset or netted against negative fair values from derivative financial instruments. Subsequently, the settlement payments attributable to the fair values are netted against the positive fair values of derivative financial instruments. Furthermore, the collateral paid is netted against the negative fair values of derivative financial instruments. The amounts netted in this respect from the settlement payments and fair values are reported as a net amount under "Trading Assets" or "Trading Liabilities".

The volume resulting from the netting of the relevant OTC derivatives portfolios will lead to a corresponding decrease of the trading portfolio assets in the amount of around EUR 32 billion and to a decrease of the trading portfolio liabilities of around EUR 34 billion as of December 31, 2022. At the end of the Fiscal Year, the total volume of the trading portfolio assets that could be offset was approximately EUR 30 billion and the total volume of the trading portfolio liabilities that could be offset was approximately EUR 31 billion. The netting carried out in 2022 did not have any impact on the financial position and results of operations of CGME.

Valuation

The valuation of the **financial instruments of the trading portfolio** was carried out at fair value less a risk discount in accordance with sentence 1 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. For unlisted financial instruments, comparative prices and the valuation results obtained by applying valuation models are used

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, 2022 a **risk discount (value-at-risk; VaR)** calculated for regulatory purposes was applied to the financial instruments in the trading portfolio in accordance with § 340e (3) HGB. The VaR is generally calculated for the entire portfolio and deducted from the line item "trading assets". 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. Any increase in the risk discount over the previous year that is required in accordance with § 340e (4) HGB will be recognized in profit or loss and charged to net income from the trading portfolio in accordance with § 340c (1) HGB. Where a risk discount is applied to trading liabilities, it is accounted for as a surcharge, which is also recognized as an expense in determining the net trading income pursuant to IDW Statement IDW RS BFA 2.

Any exchange-traded derivatives that yielded settlement payments were recognized in the balance sheet under the items "Other assets" and "Other liabilities".

The model valuation of non-exchange-traded derivatives in the trading portfolio (with the parameters used in this process) requires assumptions and estimates, the scale of which depends on the transparency and availability of market data and on the complexity of the respective financial instrument. Since these are associated with uncertainties and may be subject to change, the actual results and values could differ from these estimates. The valuation methods applied include all factors and parameters that CGME believes would also be considered by other market participants. **Valuation adjustments** are made if the valuation methods do not take individual factors into account or if such action appears appropriate to eliminate weaknesses in the models used to date. Significant valuation adjustments relate, among other things, to the counterparty's credit risk (Credit Valuation Adjustment, CVA) and the Group's own credit risk (Debt Valuation Adjustment, DVA) for OTC derivatives.

For the funding valuation adjustments (FVA), the funding or refinancing expenses and income of unsecured derivatives and secured derivatives, for which only partial collateral is available or the collateral cannot be used for refinancing, are taken into account at fair value. For the calculation of the FVA, the refinancing effects were taken into account in the valuation when computing the present cash values *via* preimiums on the discount rates.

Observable market data (e.g. credit default swap spreads) are used to determine the fair value of CVA, DVA and FVA where available. Changes in the fair value of the trading portfolio are netted and reported in the net result of the trading portfolio.

(4) Derivates

Derivative financial transactions are generally not recognized as pending transactions. If the derivatives are exchange-traded, they are recognized in the balance sheet at their market price. In the case of OTC derivatives, the market price is determined using standardized and customary valuation models (e.g. present value or option pricing models).

Acquired or issued structured products are recognized as assets or liabilities in accordance with IDW Statement IDW RS HFA 22.

(5) Equity investments

The **equity investments** are recognized at their cost of acquisition or, pursuant to § 253 (3) sentence 5 HGB, at the lower fair value, if there appears to have been a permanent impairment.

(6) Trust assets and trust liabilities

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 the amortized cost or at the settlement amount.

(7) Intangible and tangible assets

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 ten-year period.

Tangible assets under the categories **leasehold improvements** and **construction in progress** are depreciated *pro rata temporis* over a period of five to ten years, and office and plant equipment over a period of three to ten years. The purchased **software licenses** are amortized over a period of one to five years.

Low-value assets are written off in full in the year of acquisition or production, provided that the net acquisition or production cost is EUR 800 or less.

(8) Other assets

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 accrual for threatened losses in accordiance with § 249 (1) sentence 1 HGB.

(9) Accrual and deferral items

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

(10) Excess of plan assets over post-employment benefit liability

The excess of plan assets over post-employment benefit liabilities is yielded from the net balance of the fair value of the plan assets, which is placed out of the reach of all other CGME creditors and are used exclusively to settle liabilities from pension obligations or comparable long-term obligations, and the amount from the liabilities to be offset.

(11) Liabilities owed to banks and to clients

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

(12) Other liabilities

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

(13) Accrued liabilities

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 1.78% (12/31/2021: 1.87%) 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. Future salary and wage increases were estimated at 3.0%, and at the same time, a 2.3% 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 reasonable business judgment (*vernünftiger 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 that rate was calculated by the German Bundesbank for matching maturities. If recourse agreements existed, then they were taken into account in calculating the accrual (net result shown).

For **contracts and pending legal disputes** that could have an adverse effect on the Bank's financial condition, appropriate accruals were created, where necessary, as of the balance sheet.

(14) Funds for general bank risks

The balance sheet item, “**Funds for General Bank Risk**”, was created pursuant to § 340g HGB and serves to hedge against general banking risks to the extent that this is necessary in accordance with reasonable business judgment based on the special risks inherent in CGME's line of business.

A total of EUR 3.5 million was allocated to the fund for general bank risks in the reporting year in accordance with § 340e (4) HGB.

(15) Currency translation

Currency receivables and liabilities were valued in accordance with § 340a (1) HGB in combination with § 256a HGB at the average rates that are published on the balance sheet date by the European Central Bank (ECB). To the extent that the ECB does not publish any average rates, the currency positions are recognized at market rates. For foreign exchange spot transactions or currency futures that were not yet settled, the vaulation was made at the average spot or futures rates on the balance sheet date and applicable to their respective 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”.

NOTES TO INDIVIDUAL ITEMS ON THE INCOME STATEMENT

(16) Interest income and expenses

The negative interest income and positive 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 paras. (1) and (2) HGB in combination with § 265 (5) HGB.

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

(17) Commission income and expenses

The commission income is derived from the following components:

Type of Fee	2022 (EUR million)	2021 (EUR million)
Brokerage fees from affiliated enterprises	316	254
Commission fees from M&A/Advisory/Agency Business	262	338
Miscellaneous commission income	64	95
Commissions fees on foreign currency products	29	34
Total commission income	**671**	**721**
Commission expenses: Internal group pass-through of commission fees	- 274	- 328
Total commission expenses	**- 274**	**- 328**
Net commission income	**397**	**393**

(18) Net income from financial trading operations

The net income derives as follows from the respective results of the individual trading books and the respective "value adjustments" made at the end of the Fiscal Year:

	2022 (EUR million)	2021 (EUR million)
Result in “Equities and Index Risk” Trading Book	294	- 66
Result in “Currency Risk” Trading Book	- 199	172
Value Adjustments	13	- 9.2
Total	**108**	**97**

The valuation adjustments relate to the VaR as well as the additional valuation corrections made to cover the counterparty risk inherent in the financial instruments as well as CGME's own credit risk including the refinancing costs in connection with unsecured derivatives.

(19) Other operating income

This item comprises primarily income from the passing on costs to the shareholder and income generated from profit participation in equity and other trading transactions of the shareholder in the amount of EUR 81 million (2021: EUR 25 million). The cost pass-through of charges consist of mostly transaction fees and the expenses for the bank charge (*Bankenabgabe*) incurred in 2022. In addition, the item includes income from passing on expenses to affiliated enterprises of EUR 49 million (2021: EUR 25 million) as well as income from turnover tax refunds in the amount of EUR 16 million (2021: EUR 1 million).

(20) Other administrative expenses

The item “Other administrative expenses” consists of the following:

	2022 (EUR million)	2021 (EUR million)
Stock exchange fees	45	44
Custody fees	21	37
Expenses from intra-group offsetting	39	34
Pass-through costs affiliated enterprise	22	22
Legal, auditing and consulting costs	14	21
Transaction fees	26	19
Bank charges	40	10
Turnover tax	8	10
Rent expenses	10	8
Costs for using market data	10	8
Costs for temporary staffing	4	4
Miscellaneous	28	15
Total	**267**	**232**

(21) Other operating expenses

Other operating expenses mainly relate to significant expenses from the compounding of interest on pension obligations in the amount of EUR 6 million and the valuation of the corresponding pension plan assets in the amount of EUR 24 million.

(22) Income and expenses related to other accounting periods as well as extraordinary income and expenses

Extraordinary expenses were incurred in 2022 in the amount of approximately EUR 1 million in connection with the transfer of pension obligations to Metzler-Pensionsfonds AG to compensate for a shortfall in the plan assets that were likewise transferred.

The income components related to other accounting periods consisted mainly of turnover tax refunds based on the filing of amended sales tax returns for the years 2013 to 2019 in the amount of EUR 16 million and of income tax expenses for earlier years in the amount of EUR 7 million.

(23) Block on dividend payments

In the Fiscal Year, the total amount that was blocked from dvidend distribution was EUR 10 million (prior year: EUR 82 million). Of this amount, EUR 3 million (prior year: EUR 69 million) relates to an amount blocked from dividend distribution due to the capitalization of plan assets in connection with pension obligations at fair value in accordance with § 268 (8) sentence 3 in conjunction with § 340a (1) HGB. The remaining EUR 7 million (prior year: EUR 13 million) blocked from dividend distrbution is attributable to the difference between the amount recognized for pension provisions based on the relevant average market interest rate over the past ten fiscal years and the amount recognized for pension provisions based on the relevant market interest rate over the past seven fiscal years, as calculated in accordance with § 253 (6) sentence 1 HGB.

NOTES TO INDIVIDUAL ITEMS ON THE BALANCE SHEET

(24) Trading portfolio assets and liabilities

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

Trading Portfolio	Asset 12/31/2022 (EUR million)	Liability 12/31/2022 EUR million)	Asset 12/31/2021 (EUR million)	Liability 12/31/ 2021 (EUR million)
1. Derivative Financial Instruments				
• FX-induced transactions				
o OTC-currency options and swaps	5,365	5,375	3,190	3,186
o Currency warrants Own issues	147	152	177	182
o Foreign exchange spot transactions	617	617	468	466
• Stock warrants own issues	3,645	3,777	7,808	8,473
• OTC equity and index options and swaps	1,681	1,655	1,009	1,001
• Index warrants – own issues	2,259	2,297	3,429	3,487
• Exchange-traded stock & index options	66	3	481	21
• OTC interest rate options and swaps	27,396	27,418	27,998	27,950
• Commodity warrants - own issues	107	109	138	142
• OTC commodity options and swaps	2,154	2,156	1,525	1,525
Subtotal	**43,437**	**43,559**	**46,223**	**46,433**
2. Bonds and other fixed-income securities	**211**	**473**	**332**	**1,147**
of which marketable (börsenfähig)	*211*	*473*	*332*	*1,147*
of which exchange listed	*211*	*473*	*332*	*1,147*
3. Stocks and other variable-yield securities	**267**	**33**	**1,212**	**143**
of which marketable (börsenfähig)	*267*	*33*	1,212	143
of which exchange listed	*267*	*33*	1,212	143
Total	**43,915**	**44,065**	**47,767**	**47,723**
- **Other Market-Value Adjustments**	8	1	-	2
- **Value at Risk**	- 9	**-**	- 17	**-**
- **Netting**	**- 32,209**	**- 34,162**	**-**[**)]	**-**[**)]
Total	**11,704**	**9,902**	**47,750**	**47,725**

[**)] Offsettable amounts as of December 31, 2021 in the amount of EUR 30,466 million (trading portfolio assets) and EUR 31,194 million (trading portfolio liabilities)

The large year-on-year decrease in trading portfolio assets and liabilities is attributable primarily to the accounting election that was taken for the first time in this past Fiscal Year and that offsets (nets) positive and negative fair values as well as related settlement payments (cash collateral) of derivatives which are held in the trading portfolio and traded over the counter with central counterparties and non-central counterparties (OTC derivatives).

(25) Trust transactions

CGME has been providing to its clients services that are part of its business services connected with derivatives. Under this 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 as well as 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 2022, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 446 million (12/31/2021: EUR 338 million).

(26) 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	
		Additions (Disposals)					Additions (Disposals)			
	01/01/ 2022	Re-posting	12/31/ 2022	01/01/ 2022	Write-downs	Write-ups	Re-posting	12/31/ 2022	12/31/ 2022	12/31/ 2021
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Intangible assets acquired for consideration										
		0					0			
	96	0	96	31	9	0	0	40	56	65
		0					0			
Office and plant equipment		0					0			
	9	-1	8	7	1	0	-4	4	4	2
		0					0			
Leasehold improvements		14					0			
	16	0	29	15	2	0	0	17	13	1
		0					0			
Construction in progress		0					0			
	6	-6	0	0	0	0	0	0	0	6
		0					0			
Equity investments	1	0	1	0	0	0	0	0	1	1
		0								
		0					**0**			
Total	**128**	**7**	**135**	**53**	**12**	**0**	**-4**	**61**	**74**	**75**

(27) Information about affiliated enterprises

	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Receivables from banks	543	919
Receivables from clients	9,616	11,563
Other assets	307	78
Total	**10,465**	**12,560**
Liabilities owed to banks	98	548
Liabilities owed to clients	12,030	8,941
Other liabilities	4	5,674
Total	**12,132**	**15,163**

Transactions with related parties were conducted on an arm's length basis.

(28) Other assets

The line item, “Other Assets” (EUR 1,098 million; 12/31/2021: EUR EUR 9,031 million), includes primarily receivables generated from variation/initial margins paid (EUR 828 million; 12/31/2021: EUR 8,924 million), as well as tax refund claims (EUR 27 million; 12/31/2021: EUR 45 million). The decrease in other assets is attributable to the netting of margins in connection with OTC derivatives in the amount of EUR 5,863 million, which was performed for the first time in the Fiscal Year.

(29) Prepaid and deferred items

Prepaid expenses (EUR 1 million; 12/31/2021: EUR 1 million) relate to prepaid fees and expen-ses.

Deferred (unearned) income of EUR 8 million includes payments received in the most recently completed Fiscal Year for services to be rendered in the subsequent period.

(30) Other liabilities

The line item, “Other Liabilities” (EUR 802 million; 12/31/2021: EUR 8,582 million), involves primarily liabilities arising from variation/initial margins received (EUR 744 million; 12/31/2021: EUR 8,541 million) and liabilities from taxes (EUR 48 million; (12/31/2021: EUR 29 million). The decrease in other liabilities is attributable to the netting of margins in connection with OTC derivatives in the amount of EUR 3,911 million, which was performed for the first time in the Fiscal Year.

(31) 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 December 2022, existing pension obligations owed to active and former employees in the amount of EUR 38 million were transferred to Metzler Pensionsfonds (MPF). To cover and assume the liabilities, fund shares in the special fund "MI-Fonds F42" and totalling EUR 38 million were transferred from the CTA to the Metzler Pensionsfonds. In addition, a cash transfer of EUR 0.9 million was made to ensure full coverage of the transferred liabilities. In accordance with Art. 28 EGHGB, no reserve was set aside for this indirect obligation based on commitments for current pensions.

To hedge the pension commitments, shares that are held in the special fund "MI-Fonds F42" (Costs of acquistion of EUR 55 million; prior year: "Rose" fund) 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 56 million) against the settlement amount from the pension obligations (EUR 98 million). The settlement amount exceeding the plan assets as of the balance sheet date and equaling EUR 42 million (12/31/2021: EUR 15 million) is recognized on the balance sheet under the item, "Accruals for pensions and similar obligations".

As of December 31, 2022, there are also **obligations from pension plans** resulting **from bonus conversions.** The obligations under these plans are linked to the fair values of the corresponding special assets to be used as plan assets. In detail, the **balance sheet values of** the accruals for pensions and similar obligations are composed as shown in the table below, while facoring in the relevant available plan assets that were netted against the fair values in accordance with § 246 (2) sentence 2 HGB:

	12/31/2022		12/31/2021	
	EUR million	EUR mil-lion	EUR million	EUR million
I. . General pension obligations				
Settlement amount	102		125	
less				
plan assets *)	- 56	46	- 107	18
II. Pension obligations from bonus conversions **)				
Settlement amount	71		72	
less				
plan assets	- 60	11	- 60	12
Excess of plan assets over post-employment benefit liabilities		**-**		**-**
Accruals for pensions and similar obligations		**57**		**30**

*) Acquisition costs EUR 55 million
**) Acquisition costs EUR 57 million

(32) Tax reserves

The tax provisions in the amount of EUR 7 million (prior year: EUR 19 million) relate exclusively to the corporate income taxes expected to be payablke by the foreign permanent establishments for the recently completed Fiscal Year and for previous tax assessment periods.

(33) Other accrued liabilities

The other accrued liabilities consist of the following:

Accruals for	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Bonus payments to employees	104	92
Outstanding invoices	40	24
Outstanding vacation	9	8
Audit costs	6	4
Personnel costs	8	4
Total	**167**	**132**

In calculating the provisions set aside for early retirement obligations (EUR 0 million; 12/31/2021: EUR 0 million), claims arising from pledged reinsurance policies and totaling EUR 0.3 million

(12/31/2021: EUR 0.5 million) were reconciled against the settlement amount of EUR 0.3 million (12/31/2021: EUR 0.4 million). The plan assets exceeding the settlement amount and totaling EUR 0.03 million (12/31/2021: EUR 0.03 million) were reported under the balance sheet item, “Excess of plan assets over the post-employment benefit liability”.

(34) Equity capital

The equity capital has developed as follows:

EUR millions	Subscribed capital	Capital reserve	Earnings Reserves		Balance sheet profit	Total
			Legal reserve	Other earnings reserves		
As of 1/1/2022	**242**	**2,919**	**33**	**45**	**17**	**3,256**
Capital infusions	-	487	-	-	-	487
Allocation to earnings reserves				17	- 17	-
Allocations from net income for 2022	-	-	-	-	7	7
As of 12/31/2022	**242**	**3,406**	**33**	**62**	**7**	**3,750**

Subscribed capital

The **subscribed capital,** which equals EUR 242 million and is unchanged from the previous year, is divided into 9,481,592 no par shares. 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.

Capital reserves

As a result of an additional capital infusion of USD 500 million made by the sole shareholder Citigroup Global Markets Limited (CGML), London/UK, in August 2022 into equity captial in accordance with § 272 (2) no. 4 HGB, the capital reserve increased by approx. EUR 487 million (converted) to a total of EUR 3,406 million.

(35) Non-recognized transactions and other obilgations

Deferred taxes

The calculation of deferred taxes was based on a combined tax rate of 31.93%. After offsetting deferred tax assets and liabilities, there is an excess of deferred tax assets as of the balance sheet date, which excess has not been recognized upon exercising the accounting election pursuant to § 274 (1) HGB.

(36) Breakdown of residual terms to maturity

	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Receivables from banks	834	1,883
with a term to maturity		
- due upon demand	834	1,883
- due within three months	0	0
Receivables from clients	27,863	24,801
with a term to maturity		
- due upon demand	10,379	8,190
- due within three months	14,898	14,033
- due between three months and one year	1,236	1,871
- due between one year and five years	1,349	707
Liabilities owed to banks	206	1,826
with a term to maturity		
- due upon demand	206	1,826
- due within three months	0	0
Liaiblities owed to clients	27,139	21,941
with a term to maturity		
- due upon demand	8,670	8,902
- due within three months	11,118	8,563
- due between three months and up to one year	2,996	2,126
- due between one year and five years	3,885	1,555
- due after five years	469	795

(37) Shareholding

The equity investments (EUR 1.14 million), which are unchanged compared to the prior fiscal year, are not marketable and relate to the shares in True-Sale International GmbH, Frankfurt am Main (EUR 0.15 million) and in Börse Stuttgart CATS GmbH, Stuttgart (EUR 0.99 million).

(38) Foreign currency

The total amount of assets denominated in foreign currencies as of the balance sheet date is EUR 11,721 million (12/31/2021: 6,737 million); liabilities include foreign currency amounts totaling EUR 11,827 million (12/312021: 7,315 million).

MISCELLANEOUS NOTES

(39) Derivative financial instruments

At the end of fiscal year 2022, CGME's derivatives business included the following **transactions** allocated to the respective trading books:

Trading Book	Types of Transactions
Foreign Currency Risks	• OTC currency option transactions and swaps • Currency warrants • Foreign exchange spot transactions
Equities and Index Risks	• Shares and other variable-income securities in the trading portfolio • OTC index & stock options and swaps • Stock and index warrants • Exchange-traded futures and option transactions on equties and stock indexes as well as index and equity certificates
Interest rate	• OTC interest rate options and swaps
Other Trading Operations	• Exchange-traded futures • Warrants on commodities and precious metals • OTC options and swaps on commodities and precious metals

The nominal values and fair values of derivatives transactions show the following **residual terms to maturity** as of December 31, 2022:

EUR million	Nominal Value				Fair Value
Trading Book/ Type of Transaction	Terms to Maturity				
	< 1 year	≥ 1 year, ≤ 5 years	> 5 years	Total	Total
Foreign Currency Risks					
OTC-currency options and currency swaps					
o Bought	109,587	44,395	20,030	174,012	5,365
o Sold	57,279	40,650	17,891	115,820	- 5,375
Currency warrants own issues					
o Bought	705	1,640	-	2,345	147
o Sold	770	1,681	-	2,451	- 152
Exchange-traded currency futures					
o Bought	20,969	1,222	15	22,206	617
o Sold	20,981	1,227	15	22,223	- 617
Equities and Index Risks					
Equity warrants own issues					
o Bought	8,735	5,698	-	14,432	3,644
o Sold	12,283	6,491	-	18,774	- 3,777
OTC-stock options and equity swaps					
o Bought	10,115	10,825	3,780	24,720	1,626
o Sold	10,676	10,606	3,683	24,965	- 1,600
OTC-index options and index swaps					
o Bought	344	97	-	441	55
o Sold	344	97	-	441	- 55
Index warrants own issues					
o Bought	10,161	14,125	-	24,286	2,259
o Sold	11,592	14,304	-	25,896	2,297
Exchange-traded index futures					
o Bought	61	-	-	61	- 1.4
o Sold	58	-	-	58	0.6
Exchange-traded equity and index options					
o Bought	4,059	601	-	4,660	66
o Sold	101	4	-	105	- 3
Index and equity certificates own issues					
o Bought	104	143	-	247	211
o Sold	349	156	-	506	- 473
Interest rate transactions					
OTC-interest options and interest rate swaps					
o Bought	34,670	152,919	136,508	324,097	27,396
o Sold	36,403	153,380	137,182	326,966	- 27,418

EUR million	Nominal Value				Fair Value
Trading Books/ Type of Transaction	Terms to Maturity				
	< 1 year	≥ 1 year, ≤ 5 years	> 5 years	Total	Total
Other Trading Operations					
OTC-options and swaps on commodities, base and precious metals					
o Bought	7,770	4,656	2	12,428	2,154
o Sold	7,771	4,632	2	12,405	- 2,156
Warrants on commodities and precious metals own issues					
o Bought	15	477	-	492	107
o Sold	17	484	-	501	- 109
Exchange-traded futures on commodities and precious metals					
o Bought	4	-	-	4	0
o Sold	-	-	-	-	-

(40) Other financial obligations

For the years until 2044, other financial obligations from contracts in connection with the lease of the business premises equal EUR 89 million. Financial obligations from leases amount to EUR 2 million, including EUR 1 million to affiliated enterprises.

Furthermore, there are indirect obligations for pension obligations outsourced to Metzler Pensionsfonds (MPF). Please refer to our comments under Note (31) "Provisions for pensions and similar obligations".

(41) 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 cash flow statement as set forth below.

Cash Flow Statement per German Accounting Standard No. 21	Fiscal Year 01/01/-12/31/2022 EUR million	Fiscal Year 01/01/-12/31/2021 EUR million
Annual Net Profit	**7**	**17**
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 fi-	38	5
Changes in accruals	-1	-61
Change in other non-cash expenses/income	4	-
Gain/loss from the sale of financial and tangible assets	0	0
Other adjustments (in net terms)	78	32
Subtotal:	**126**	**-7**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	1,049	-204
- from clients	-3,171	-11,039
Trading portfolio assets	36,046	-999
Other assets from current operating activities	7,932	-1,341
Liabilities:		
- owed to banks	-1,620	1,590
- owed to clients	5,306	9,335
Securitized liabilities	-	-
Trading portfolio liabilities	-37,823	1,222
Other liabilities from current operating activities	-7,772	-38
Interest and dividend payments received	234	155
Interest paid	-279	-175
Income tax payments	-33	-12
Cash flow from current operating activities	**-5**	**-1,513**
Payments received from the outflow of		
- Financial assets	42	102
- Tangible assets	8	0
Payments made for investments in		
- Financial assets	-16	-
- Tangible assets	-19	-7
Change in cash resources based on investing activities (in net terms)	-	-
Cash flow from investing activities	**14**	**95**
Payments received from contributions to equity capital	487	1,418
Payments made to company owners:		
- Dividend payments	-	-
- Other outgoing payments	-	-
Change in cash resources other capital (in net terms)	-	-
Cash flow from financing activities	487	1,418
Cash and cash equivalents at the end of previous period	**0**	**0**
Cash flow from current operating activities	-5	-1,513
Cash flow from investing activities	14	95
Cash flow from financing activities	487	1,418
Cash and cash equivalents at the end of the period	**496**	**0**

(42) 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) as well as other services (EUR 0.0 million).

(43) Recommendation on allocation of profits

The Executive Board recommends allocating the annual net profit for Fiscal Year 2022 in the amount EUR 7 million into the earnings reserve account.

(44) Governing bodies (officers and directors) of CGME as well as mandatory disclosures pursuant to § 285 no. 10 HGB in combination with § 340a (4) Nr. 1 HGB

Supervisory Board

Members

Ms. Dagmar Kollmann, Vienna, Laywer, independent Supervisory Board member,
- Chairperson of the Supervisory Board -

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
  - Deutsche Telekom AG, Bonn, Germany
  - Unibail-Rodamco-Westfiel SE, Paris, France

Ms. Barbara Frohn, London, Bank Director, Citigroup Global Markets Limited, London, - Deputy Chairperson of the Supervisory Board -

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

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
  - Börse Stuttgart AG, Stuttgart, Germany.

Executive Board

Members

Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Legal, Bank Director,
Chairperson of the Executive Board / Interim CEO – term commencing January 1, 2023

Ms. Kristine Braden, Frankfurt am Main, CEO, Bank Director,
Chairperson of the Executive Board – term ending December 31, 2022

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
    - Bank Handlowy w Warszawie S.A., Warsaw, Poland

Mr. Peter Kimpel, Frankfurt am Main, Head of BCMA, Bank Director – term ending March 31, 2023

Ms. Sylvie Renaud-Calmel, Paris, Head of Markets, Bank Director

Mr. Oliver Russmann, Bad Vilbel, CFO, Bank Director

Frau Amela Sapcanin, Frankfurt am Main, CRO, Bank Director,

Frau Jean Young, Königstein im Taunus, O&T, Bank Director.

(45) Information about significant events following the balance sheet date

Subject to pending regulatory approval, Ms. Silvia Carpitella was appointed to serve as Chairperson of the Executive Board. Expected start date in this function is May 1, 2023.

Subject to pending regulatory approval, Mr. Stefan Hafke was appointed to serve as member of the Executive Board for the BCMA business division. Expected start date in this function is May 1, 2023. In this function, Mr. Stefan Hafke will be taking over the BCMA business division from Mr. Peter Kimpel, who resigned as a member of the Executive Board effective March 31, 2023.
There were no other significant events that occured following the end of the Fiscal Year and that have not yet been addressed in these annual financial statements.

(46) Information on remuneration

Total remuneration for members of the **Executive Board** in the Fiscal Year (including granted stock options) was EUR 7.7 million. As of the end of the Fiscal Year, pension obligations totaled EUR 0.1 million.

Pension obligations owed to active members of the Executive Board were transferred to a pension fund in Fiscal Year 2022 in exchange for payment of a contribution (see explanations in Note (31)).

The total remuneration for the former members of management bodies and their survivors was EUR 1.9 million in the reporting year.

Funds set aside for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled EUR 24.7 million. Pension obligations owed to former members of the management bodies were transferred to a pension fund in Fiscal Year 2022 in exchange for payment of a contribution.

Due to the stock-based remuneration, approximately 48.6 thousand shares at a fair value totaling USD 2.5 million, which is roughly equivalent to EUR 2.3 million, were granted as variable compensation.

In the recently completed fiscal year, expenses totalling EUR 0.4 million were incurred for supervisory board compensation benefits.

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

(47) Employees

During the Fiscal Year, CGME employed an average of 558 persons. Of that amount, 539 were full-time employees and 19 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.

	2022	2021
Citigroup Global Markets Europe AG – Main Branch	257	249
Citigroup Global Markets Europe AG – France Branch	148	127
Citigroup Global Markets Europe AG – Spain Branch	64	50
Citigroup Global Markets Europe AG – Italy Branch	52	54
Citigroup Global Markets Europe AG – UK Branch	36	37
Summe	**558**	**517**

(48) 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. Both consolidated financial statements can be viewed at the website, www.citigroup.com.

Frankfurt am Main, April 14, 2023

The Executive Board

Dr. Jasmin Kölbl-Vogt (CEO)

Sylvie Renaud-Calmel

Oliver Russmann

Amela Sapcanin

Jean Young

INDEPENDENT AUDITOR'S REPORT

To Citigroup Global Markets Europe AG, Frankfurt am Main

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

Audit Opinions

We have audited the annual financial statements of Citigroup Global Markets Europe AG, Frankfurt am Main — which comprise the balance sheet as at December 31, 2022 and the income statement for the financial year from January 1, 2022 to December 31, 2022 and the notes to the financial statements, including the presentation of the recognition and measurement policies.

In addition, we have audited the management report of Citigroup Global Markets Europe AG for the financial year from January 1, 2022 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the parts of the management report listed in section "OTHER INFORMATION".

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

- the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2022 and of its financial performance for the financial year from January 1, 2022 to December 31, 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those parts of the management report mentioned under "OTHER INFORMATION".

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as the “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statements Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT" section of our auditor’s report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited pursuant to Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions 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, are of most significance in our audit of the annual financial statements for the financial year from January 1, 2022 to December 31, 2022 were. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following matter as the key audit matter to be reported in our auditor's report:

MEASUREMENT OF FINANCIAL INSTRUMENTS IN THE TRADING PORTFOLIO WITH INPUT PARAMETERS NOT OBSERVABLE IN AN ACTIVE MARKET

Facts

As of December 31, 2022, Citigroup Global Markets Europe AG has trading assets of EUR 11,703.6 million (27.5 % of total assets) and trading liabilities of EUR 9,901.8 million (23.3 % 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 issuances of warrants and certificates, the associated hedging transactions, e.g. OTC and exchange-traded derivatives, as well as any repurchases arising from market-making activities. Furthermore, the trading portfolio 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 the valuation models and their parameterization are subject to discretion. As the subsequent measurement of financial instruments in the trading portfolio 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 trading liabilities represent the second largest balance sheet items, we have identified this matter as a key audit matter.

The disclosure on the accounting policies and the composition of derivative transactions in the trading portfolio are included in the notes to the financial statements in section " Accounting policies – (3) financial instruments held for trading" and subsection "Explanatory notes to the balance sheet - (24) Trading portfolio assets and liabilities" respectively.

Audit response and findings

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

First, we obtained a comprehensive understanding of the development of the financial instruments in the trading portfolio, the associated risks and the internal control system in relation to the valuation of the financial instruments in the trading portfolio. 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 company's internal control system for the valuation of these financial instruments, in particular with regard to price verification independent of the trading area as well as model validation.

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

Based on 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 executive directors are responsible for the other information. The other information comprises:

- the non-financial statement contained in section 6 of the management report,
- the corporate governance statement contained in section 5 of the management report.

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

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

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

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors 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 financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

The supervisory board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and management report.

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

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

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

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

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and the arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial

statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditors by the annual general meeting on April 27, 2022. We were engaged by the chairwoman of the supervisory board on April 27, 2022. We have been the auditor of Citigroup Global Markets Europe AG without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (long form audit report).

In addition to the financial statements audit, we have provided to the audited company or companies under that company's control the following services that are not disclosed in the annual financial statements or the management report:

- Consent Letter to include our audit opinion for the financial year from January 1 to December 31, 2021 in a listing document for the Hong Kong Stock Exchange.
- Audit opinion on the assessment of the appropriateness of the option pricing models subject to approval as part of the approval procedure when using self-calculated delta factors for options and warrants for the proper determination of capital ratios in accordance with Article 92 (1) of Regulation (EU) No. 575/2013.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Caroline Gass.

Frankfurt am Main, April 18, 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Signed by Grunwald	Signed by Gass
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)