



**CITIGROUP GLOBAL MARKETS AUSTRALIA
PTY LIMITED**

ANNUAL FINANCIAL REPORT

31st DECEMBER, 2022

ABN: 64 003 114 832

Registered office

**Citigroup Centre
2 Park Street
Sydney NSW 2000**

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

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CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial report of Citigroup Global Markets Australia Pty Limited (the Company) for the financial year ended 31st December, 2022, and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Timothy Sedgwick	Appointed as director on 1st July, 2016.
Mark Woodruff	Appointed as director on 27th May, 2022.
Alexis Cartel	Appointed as director on 24th May, 2022. Appointed as an alternate director of Anthony Osmond on 16th August, 2021, resigned on 24th May 2022.
Marc Luet	Appointed as director on 8th August, 2019, resigned on 11th January, 2023.
Ladislav Gerlich	Appointed as an alternate director of Timothy Sedgwick on 4th October, 2019.
Luke Randell	Appointed as director on 30th May, 2017, resigned on 27th May 2022.
Anthony Osmond	Appointed as director on 18th May, 2012, resigned on 24th May 2022.

Secretaries

The secretaries of the Company at any time during or since the end of the financial year are:

Timothy Sedgwick	Appointed as secretary on 1st July, 2016.
Michael Forde	Appointed as secretary on 6th November, 2017.
Melissa Carmody	Appointed as secretary on 22nd August, 2022.

Principal activities

The principal activities of the Company during the course of the financial year were stockbroking for wholesale institutional clients, fixed income sales and trading, futures broking and clearing, equity and debt capital market services, corporate advisory and other financial services. There were no significant changes in the nature of the activities of the Company during the year.

Review of operations

A detailed review of the operations of the entity is located at the end of these financial statements, which should be considered as forming part of this Directors' report.

Results

The net profit after tax attributable to members of the Company for the year ended 31st December, 2022, amounted to \$31.9 million (2021: \$72.2 million).

Dividends

The directors do not recommend that any amount be paid by way of dividends. No dividends were paid or declared by the Company during the year ended 31st December, 2022 (2021: Nil).

State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Events subsequent to balance date

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

Likely developments

The directors are unaware of any likely developments in the Company's operations in future financial years which they expect would have a material adverse effect on those operations.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

DIRECTORS' REPORT

Directors' emoluments

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregated amount of compensation received or due and receivable by directors, as included in the financial report) by reason of a contract made by the Company or a related entity with a director or with a firm of which a director is a member, or with an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors

During the year, Citigroup Inc., the ultimate parent of the Company, maintained insurance for current and former directors and officers, including executive officers, of the Company. The insurance, subject to its terms, conditions and exclusions, covers losses and liabilities relating to any civil or criminal claim against an individual officer as well as any costs or expenses incurred in defending such a claim for which the Company is unable to indemnify. The insurance contract does not cover circumstances where the claim is based on any deliberately dishonest or fraudulent act or omission by the officer, or where there is any personal profit or advantage to which the officer is not legally entitled. The insurance cover is limited to liability or loss, which is permissible to cover at law.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid under the Policy, as such disclosure is prohibited under the terms of the contract.

Auditor's independence declaration

The auditor's independence declaration is on page 44 and forms part of the Directors' report for the financial year ended 31st December, 2022.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

Dated this 21st day of March, 2023
in Sydney, Australia.



Signed in accordance with a resolution of the directors by:
Timothy Sedgwick
Director

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$Million	2021 \$Million
Fees and commission	3	205.1	248.1
Net trading income		72.1	29.9
Interest income	4(a)	248.6	183.0
Interest expense	4(b)	(281.8)	(148.2)
Dividend income - trading securities		119.1	121.1
Dividend expense - trading securities		(90.0)	(88.4)
Management fee income		13.4	8.1
Total revenue, net of interest and dividend expenses		286.5	353.6
Expenses			
Management fees		(89.8)	(95.4)
Employee expenses		(109.6)	(111.5)
Brokerage and other clearing, settlement and exchange fees		(23.9)	(24.4)
Loan impairment expense		(0.1)	0.1
Other expenses		(17.4)	(19.4)
Total expenses		(240.8)	(250.6)
Profit before income tax		45.7	103.0
Income tax expense	5(a)	(13.8)	(30.8)
Net profit attributable to members of the Company		31.9	72.2
Other comprehensive income			
Items that will not be reclassified to profit or loss		0.3	0.8
Other comprehensive income after income tax		0.3	0.8
Total comprehensive income for the year attributable to the members of the Company		32.2	73.0

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 \$Million	2021 \$Million
Assets			
Cash and cash equivalents	6	3,619.2	3,079.8
Financial assets at fair value through profit or loss	7(a)	6,259.3	6,259.0
Financial assets at amortised cost	9(a)	3,925.0	3,155.9
Receivables	10(a)	502.7	513.7
Current tax assets		4.2	-
Deferred tax assets	5(c)	19.5	16.1
Other financial assets	11	781.7	627.2
Total assets		<u>15,111.6</u>	<u>13,651.7</u>
Liabilities			
Borrowings	12	2,958.3	2,735.7
Financial liabilities at fair value through profit or loss	7(b)	5,987.4	5,427.4
Financial liabilities at amortised cost	9(b)	3,720.5	3,450.3
Trade and other payables	13	1,615.4	1,237.3
Current tax liabilities		-	4.2
Provisions	14	0.1	0.1
Subordinated debt	15	471.4	470.5
Total liabilities		<u>14,753.1</u>	<u>13,325.5</u>
Net assets		<u>358.5</u>	<u>326.2</u>
Equity			
Share capital	16	177.2	177.2
Reserves		(4.9)	(4.9)
Retained earnings		186.2	153.9
Total equity		<u>358.5</u>	<u>326.2</u>

The Statement of Financial Position should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share Capital \$Million	Reserves \$Million	Retained Earnings \$Million	Total Equity \$Million
2022					
Balance at the beginning of the year		177.2	(4.9)	153.9	326.2
Net profit		-	-	31.9	31.9
<i>Other comprehensive income / (loss)</i>					
Defined benefit plan actuarial gains and losses, net of tax	31	-	-	0.1	0.1
<i>Total comprehensive income for the year, net of income tax attributable to the members of the Company</i>		-	-	32.0	32.0
Net movement in tax consolidation reserve		-	-	-	-
Share Based Payment Transactions (Net of tax)	32	-	-	0.3	0.3
Balance of equity at the end of the year		<u>177.2</u>	<u>(4.9)</u>	<u>186.2</u>	<u>358.5</u>
2021					
Balance at the beginning of the year		177.2	(4.9)	80.9	253.2
Net profit		-	-	72.2	72.2
<i>Other comprehensive income / (loss)</i>					
Defined benefit plan actuarial gains and losses, net of tax	31	-	-	0.4	0.4
<i>Total comprehensive income for the year, net of income tax attributable to the members of the Company</i>		-	-	72.6	72.6
Net movement in tax consolidation reserve		-	-	-	-
Share Based Payment Transactions (Net of tax)	32	-	-	0.4	0.4
Balance of equity at the end of the year		<u>177.2</u>	<u>(4.9)</u>	<u>153.9</u>	<u>326.2</u>

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$Million	2021 \$Million
Cash flows from operating activities			
Fees and other income received		181.6	191.0
Net trading activity cash inflow / (outflow)		749.3	(169.5)
Interest received		248.6	183.0
Interest paid		(275.8)	(147.2)
Dividends received		129.3	111.8
Dividends paid		(90.1)	(98.8)
Other operating expenses paid		(248.2)	(244.1)
Income tax paid to head entity		(25.6)	(22.0)
Net securities at amortised cost (purchased) / sold subject to resale agreements		(498.8)	161.9
Receipt of receivables and payables		154.3	43.7
Net cash from operating activities	17	<u>324.6</u>	<u>9.8</u>
Cash flows from investing activities			
Purchase of financial investments		(2.6)	(0.6)
Net cash from investing activities		<u>(2.6)</u>	<u>(0.6)</u>
Cash flows from financing activities			
Net proceeds from term borrowings		217.4	1,119.0
Net cash from financing activities		<u>217.4</u>	<u>1,119.0</u>
Net increase in cash and cash equivalents		539.4	1,128.2
Cash and cash equivalents at the beginning of the financial year		3,079.8	1,951.6
Cash and cash equivalents at the end of the financial year	6	<u><u>3,619.2</u></u>	<u><u>3,079.8</u></u>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements on the accompanying pages.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Citigroup Global Markets Australia Pty Limited (the Company) is a company registered and domiciled in Australia. The Company's registered office is at 2 Park Street, Sydney, New South Wales, 2000, Australia. The Company is a for-profit entity and is primarily involved in stockbroking for wholesale institutional clients, fixed income sales and trading, futures broking and clearing, equity and debt capital market services, corporate advisory and other financial services.

The immediate parent of the Company is Citigroup Global Markets Australia Holdings Pty Limited (the Parent Company), a company registered and domiciled in Australia. The ultimate parent of the Company is Citigroup Inc., a company incorporated in the United States of America.

The financial report was authorised for issue by the Directors on 21st March, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian interpretations and amendments) issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards issued by the AASB, being Australian equivalents to IFRS. The financial report complies with IFRS and interpretations issued by the International Accounting Standards Board.

b) Basis of preparation

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of its subsidiaries.

The financial report is prepared on the historical cost basis except for financial instruments designated at fair value through profit or loss. The Statement of Financial Position is presented in order of liquidity.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Instrument, amounts in the financial report and Directors' report have been rounded to the nearest one hundred thousand dollars, unless otherwise stated.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2(t) - Measurement and determination of fair value; and
- Note 24(d)(i) - Valuation techniques and key inputs.

The accounting policies set out below have been applied consistently to all periods presented in the financial report, except where otherwise stated.

c) Principles of consolidation

The Company has elected to prepare separate financial statements and apply the exemption from preparing the accounts on a consolidated basis in accordance with *AASB 127 Separate Financial Statements*. The Parent Company, Citigroup Global Markets Australia Holdings Pty Limited, prepares consolidated financial statements that comply with IFRS. Citigroup Global Markets Australia Holdings Pty Limited is a company domiciled in Australia. The financial statements of the Parent Company are available at its registered office: 2 Park Street, Sydney NSW 2000, Australia.

d) Revenue recognition

i) Interest income and expense

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. When calculating the effective interest, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all transaction costs, all other premiums or discounts, and fees between parties to the contract that are an integral part of the effective interest rate.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition (continued)

ii) Fee and commission income

Fees and commissions primarily includes brokerage commissions and investment banking fees. Brokerage commissions primarily include commissions and fees from executing transactions for clients on exchanges and over-the-counter markets and assisting clients in clearing transactions, providing brokerage services and other such activities. Brokerage commissions are recognised at the point in time the related service performance obligation is fulfilled. Investment banking fees comprise underwriting and advisory revenues, which are recognised at the point in time when the services have been delivered. Out-of-pocket expenses associated with underwriting activities are deferred and recognised at the time the associated revenue is recognised, while out-of-pocket expenses associated with advisory arrangements are expensed as incurred. Expenses incurred are recorded in other expenses. In certain instances, the Company receives amounts in advance. In these instances, the amounts received will be recognised as a liability and not recognised in revenue until the service is delivered.

iii) Trading income & other revenue

Revenue recognition policies for trading securities, repurchase and reverse repurchase agreements, investments in controlled entities and derivative financial instruments are described in note 2(j) *Financial instruments* and note 2(v) *Other financial assets*.

e) Borrowing costs

Borrowing cost policies for interest, amortisation of discounts or premiums related to borrowing and the amortisation of ancillary costs incurred in connection with arrangement of borrowings are described in note 2(w) *Borrowings, debt securities and subordinated debt*.

f) Dividend income

Dividend income is recognised when the right to receive income is established.

g) Citigroup equity-based compensation

Certain employees of the Company participate in equity-based compensation plans of Citigroup Inc., the ultimate parent entity of the Company. Under these plans, Citigroup Inc. shares or the cash equivalent of shares are issued to employees as remuneration for past services and to retain employees.

Capital Accumulation Program

The Capital Accumulation Programme (CAP) is a discretionary retention award programme consisting of deferred shares of Citigroup Inc.'s shares. A CAP award is intended to promote future performance and to encourage employee retention.

The CAP consists of restricted or deferred shares which vest over a four-year period, and are expensed straight-line over the vesting period, based on amortisation of the original grant value. The market value appreciation / depreciation is recognised in equity, with a corresponding decrease in the liability to Citigroup Inc., which is settled when shares are delivered to employees.

At the Company's discretion, the unvested deferred portion of prior and future awards may also be subject to downward adjustment.

Deferred share awards settled in cash are expensed straight-line over the vesting period, based on amortisation of the original grant value, which is accelerated in certain circumstances, and adjusted for interest or mark-to-market movements in price of Citigroup Inc.'s shares.

h) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the rates of the exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences relating to the amounts payable and receivable in foreign currencies are recognised as exchange gains or losses in the Statement of Comprehensive Income in the financial year in which the exchange rates change.

i) Taxation

Income tax

Income tax expense consists of current and deferred tax and is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST). Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), the GST is recognised as a separate expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Taxation (continued)

Goods and services tax (continued)

Cash flows are included in the Statement of Cash Flows on a net basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a Multiple Entity Consolidated (MEC) group. The head entity of the tax consolidated group is Citigroup Pty Limited and all members of the tax consolidated group are taxed as a single entity.

Members of the MEC tax group have entered into a tax sharing agreement, as prescribed in the Australian tax consolidation regime, which provides for the allocation of income tax liabilities between the entities should the head entity default on its income tax obligations. No amounts have been recognised in the financial statements in respect of this agreement since the payment of any amounts under the tax sharing agreement is considered remote.

j) Financial instruments

The Company classifies financial assets in the following categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at amortised cost; and
- Financial assets at fair value through other comprehensive income (FVOCI)

The Company classifies financial liabilities in the following categories:

- Financial liabilities at fair value through profit or loss (FVTPL); and
- Financial liabilities at amortised cost.

Financial assets and liabilities measured at amortised cost include:

- Securities subject to repurchase and resale agreements (note 2 (l)(i));
- Loans and receivables (note 2 (l)(ii));
- Borrowings, debt securities and subordinated debt (note 2 (w)); and
- Trade and other payables (note 2 (x)).

Management determines the classification of financial assets and financial liabilities at initial recognition.

Purchases and sales of financial assets, except for loans and receivables, are recognised at trade-date, the date on which the Company commits to purchase or sell the asset. Loans and receivables are recognised on settlement date, when cash is advanced to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

Financial liabilities are recognised when an obligation arises. Financial liabilities measured at fair value through profit or loss are recognised initially at fair value. All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the contractual rights of the Company to the cash flows from the asset expire, or if the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

k) Financial assets and liabilities at fair value through profit or loss

Assets within a business model whose objective is to both collect the cash flows and to sell the assets, will be classified as FVTPL. Any instrument for which the contractual cash flow characteristics do not comprise solely payments of principal and interest (that is, they fail the SPPI test) must be classified in the FVTPL category. These financial instruments are acquired principally for the purpose of trading, managing risk, or selling in the short term. Assets held in this category represent bank securities, promissory notes and treasury notes purchased for sale in the day-to-day trading operations of the banking business. Derivatives are also included in this category unless they are designated as hedges. They are carried at fair value based on quoted bid prices or broker/dealer quotations and are recorded as at the trade-date. All changes in fair value are recognised within the Statement of Comprehensive Income. Interest received from trading securities is included within interest income in the Statement of Comprehensive Income.

The Company designates financial liabilities at fair value through profit or loss if one of the following exist:

- The liability is managed and performance evaluated on a fair value basis;
- Electing fair value will eliminate or reduce an accounting mismatch; or
- The contract contains one or more embedded derivatives.

For financial liabilities designated at fair value through profit or loss, fair value changes are presented as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability must be recorded in Other Comprehensive Income (OCI), and
- The remaining amount of the change in the fair value of the liability is recorded in the Statement of Comprehensive Income.

Upon early extinguishment (e.g., liability is repurchased before maturity), changes in own credit previously recorded in OCI will not be recycled to P&L. The OCI balance is reclassified directly to retained earnings.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments at fair value through profit or loss (continued)

i) Trading securities

Trading securities are debt and listed equity securities purchased, short positions in securities sold for day-to-day trading operations, securities subject to repurchase (repo or stock lending) and resell (reverse repos or stock borrowing). They are carried at fair value based on current bid/offer price or broker/dealer quotations less any necessary market value adjustments, and are recorded on a trade date basis. Realised and unrealised gains and losses are recognised in the Statement of Comprehensive Income. Interest received on debt securities is included within interest income in the Statement of Comprehensive Income. Dividend income is brought to account as dividends are declared.

ii) Securities subject to repurchase and resale agreement

Repos and reverse repos held by the Company with entities unrelated to the Company are measured at fair value plus incremental direct transaction costs and subsequently measured at fair value through profit or loss. These repos and reverse repos are part of a group of financial instruments managed together whose performance is evaluated on a fair value basis.

These transactions primarily relate to bonds. Realised and unrealised gains and losses are recognised in the Statement of Comprehensive Income. Interest received on debt securities is included within interest income in the Statement of Comprehensive Income.

iii) Derivative financial instruments

The Company is exposed to changes in interest rates, foreign exchange rates and equity markets from its activities. The Company uses derivative financial instruments such as futures, options, warrants and swaps to hedge its assets and liabilities as part of its trading activities. All derivatives are classified as assets when their fair value is positive or liabilities when their fair value is negative.

Derivative financial instruments used for trading purposes are carried at net fair value based on market prices, broker/dealer quotations, discounted cash flows or estimated fair values generated by option pricing models. Revaluation gains and losses on derivative contracts are reported gross except when qualifying netting agreements are in place with the counterparties. Realised and unrealised changes in the net fair value are recognised in net trading income in the period in which the change occurs.

Financial futures, options and warrants

Financial futures, options and warrants are carried at fair value based on market prices, broker/dealer quotations, or where there is limited trading, at the estimated fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

Swaps

Interest rate, cross currency and equity swaps are carried at fair value by discounting all future cash flows to present value, by using discount rates based on market prices. Changes in fair value are recognised in the Statement of Comprehensive Income.

l) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are held in a business model whose objective is to hold assets (not intended to be sold in the short term) in order to collect contractual cash flows, and cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI). Loans and receivables are recognised when cash is advanced to borrowers. They are measured at amortised cost using the effective interest method, less impairment losses.

i) Securities subject to repurchase and resale agreements

Repos and reverse repos, which are not designated as FVTPL are measured at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost. Stock borrowing and stock lending are measured at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost.

ii) Receivables

Receivables include loans and advances originated by the Company, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are carried at amortised cost using the effective interest method less impairment losses.

m) Financial assets at fair value through other comprehensive income

Financial assets are classified at fair value through other comprehensive income when the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). They may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of financial assets at fair value through other comprehensive income are recognised as at the trade-date – the date on which the Company commits to purchase or sell the asset. These financial assets are carried at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through other comprehensive income are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Business model assessment

The business model assessment for the purpose of categorising financial instruments is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Company's business model does not depend on management's intentions for an individual instrument (i.e. it is not an instrument-by-instrument assessment). This assessment is performed at a higher level of aggregation. The level of aggregation is at a level which is reviewed by key management personnel, enabling them to make strategic decisions for the business. The Company has more than one business model for managing its financial instruments.

The assessment of the business model requires judgment based on facts and circumstances, considering quantitative and qualitative factors. All relevant evidence that is available at the date of the assessment is considered, including, but not limited to:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

o) Assessment of whether the contractual cash flows are solely payments of principal and interest

If an instrument is held in either a hold to collect, or a hold to collect and sell, business model, then an assessment to determine whether contractual cash flows are solely payments of principal and interest (SPPI) on the principal outstanding is required to determine the classification. For SPPI, interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a period of time. It can also include consideration of other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement. Other contractual features that result in cash flows that are not payments of principal and interest result in the instrument being measured at FVTPL.

Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that meet the SPPI criteria.

The contractual cash flow test is performed at initial recognition of a financial asset and, if applicable, upon any subsequent changes to the contractual provisions of the instrument.

p) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

q) Modifications

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different, and if so, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated, and a modification gain or loss is recognised in profit or loss.

As financial assets are classified at initial recognition on the basis of the contractual terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset has been sufficiently modified that it is derecognised.

Financial liabilities

Financial liabilities are derecognised when their terms are modified, and the cash flows are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished, and the new financial liability with modified terms, is recognised in profit or loss.

r) Impairment of financial assets

All debt instruments measured at amortised cost, or at fair value through other comprehensive income, and all off balance sheet loan commitments and financial guarantees, are subject to impairment considerations.

Expected credit loss impairment model

Expected credit loss (ECL) is an unbiased and probability weighted estimate, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

Measurement of ECL is primarily determined by assessment of a financial asset's probability of default (PD), loss given default (LGD) and exposure at default (EAD) with estimated cash shortfalls discounted to reporting date. For a financial asset in Stage 1, a 12-month PD is used, whereas financial assets within Stage 2 and Stage 3 utilise a lifetime PD to estimate an impairment allowance.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Impairment of financial assets (continued)

Credit loss allowances are measured at reporting date according to a three-stage expected credit loss impairment model, under which each financial asset is classified in one of the stages below:

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

When determining whether there has been a significant increase since initial recognition, the Company considers quantitative and qualitative information, based on historical experience and credit assessment, including forward-looking information. As a backstop, the Company considers that a significant increase in credit risk has occurred once an asset is more than 30 days past due.

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

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

Evidence that a financial asset is impaired includes observable data that comes to management's attention, such as:

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

Default is considered to have occurred when the Company has assessed that a credit obligation is unlikely to be repaid without recourse to realisation of security, or is past due by more than 90 days.

Loans are written off when there is no realistic probability of recovery.

Expected credit loss (ECL) is an unbiased and probability weighted estimate, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate also considers the time value of money.

Other financial assets simplified approaches

For other financial assets, being short term and simple in nature, a simplified measurement approach is applied that may differ from what is described above, leveraging existing models currently used for stress-testing, or other regulatory capital reporting purposes, that is developed into loss estimates.

Presentation of the allowance of ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the asset
- Loan commitments and financial guarantee contracts: as a provision

s) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle net or to realise the asset and settle the liability simultaneously. Refer to note 30 *Offsetting financial assets and liabilities*.

t) Measurement and determination of fair value

The Company has an established control framework with respect to the measurement of fair value. 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in principle or, in its absence, the most advantageous market to which the Company has access at that date. Further information on how the Company measures and determines the fair value is disclosed in note 24 *Fair value of financial instruments*.

u) Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Other financial assets

Other financial assets include investments in controlled entities, exchange deposits, accrued interest and other debtors. Investments in controlled entities are carried at the lower of cost and recoverable amounts, with dividends brought to account as the right to receive payment is established. Exchange deposits, prepayments, accrued interest and receivables from clients are brought to account at the gross value of the outstanding balance which is expected to approximate cost.

w) Borrowings, debt securities and subordinated debt

Borrowings, debt securities held, and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company chooses to carry the liabilities at fair value through profit or loss.

x) Trade and other payables

Payables include accrued expenses, interest payable, margin accounts and security purchases pending settlement. These are brought to account at the gross value of the outstanding balance which is expected to approximate cost.

y) Provisions

Provisions are recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the timing or amount of which is uncertain.

Provisions in respect of actual and potential legal claims and proceedings not yet completed are included in provisions. Further information about actual and potential legal claims and proceedings are not included because disclosure of information could likely result in unreasonable prejudice to the Company.

z) Commitments to extend credit and letters of credit

These financial instruments attract credit risk, generate fees and generally do not involve cash payments other than in the event of default. They are recorded as commitments at their face value. Fee income relating to commitments is deferred and subsequently amortised over the expected life of the facility using the effective yield method.

aa) Employee entitlements provision

In determining the provision for employee entitlements, consideration is given to future increases in wage and salary rates, the Company's experience with staff departures and related on-costs. Provisions for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attaching to high quality corporate bonds at year end, which most closely match the terms of maturity to the related provisions.

Wages, salaries and bonuses

The provisions for employee entitlements to wages, salaries and bonuses represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on current wage and salary rates that the Company expects to pay as at reporting date including related on-costs.

Annual and long service leave

The provision for employees' entitlements to annual and long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to the reporting date.

ab) Superannuation

As prescribed and up to the maximum threshold within the Australian Superannuation Guarantee (Administration) Act 1992, the Company is required to provide superannuation guarantee (SG) contributions to a complying fund.

Defined benefit superannuation plan

The Company has a legally enforceable obligation to contribute to the Citibank Australia Staff Superannuation Fund for employees who are members of the Defined Benefit Pension Plan. The assets and liabilities of these plans are legally held in a separate trustee-administered Trust.

The Company has a legally enforceable obligation to contribute to the superannuation fund of choice for those employees that are not members of the Defined Benefit Pension Plan.

Under AASB 119 *Employee Benefits*, the superannuation contribution expense principally represents the annual funding, determined after having regard to actuarial advice, to provide for future obligations of the defined benefit superannuation plan. The discount rate is the yield at financial year end on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The defined benefit superannuation plan surpluses and/or deficits are calculated by fund actuaries. The amount of future benefit that employees have earned in return for their service in current and prior periods, discounted to present value, is deducted from the fair value of plan assets. The resulting surplus or deficit is recognised and disclosed separately in other assets and other liabilities in the Statement of Financial Position. Actuarial gains and losses related to the defined benefit superannuation plan are directly recorded in equity.

Defined contribution superannuation plan

The Company recognises contributions due in respect of the accounting period in the Statement of Comprehensive Income. Any contributions unpaid at the financial year end are recognised as a liability.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Changes in Accounting Standards

The Company has adopted *AASB 2020-3 “Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments”*. This has resulted in a change in accounting policy in relation to AASB 137 “Provisions, Contingent Liabilities and Contingent Assets” from 1st January 2022. This resulted in a change in accounting policy for performing an onerous contract assessment. Previously, the Company included only incremental costs to fulfill a contract when determining whether a contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed contracts existing at 1st January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy.

ad) New standards and interpretation not yet adopted

The following new standards and interpretations which may have an impact on the Company have been issued, but are not mandatory for 31st December 2022, and have not been early adopted by the Company.

AASB 2021-5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary. The amendments apply to annual reporting periods beginning on or after 1st January 2023, and it applies to transactions that occur after the beginning of the earliest period presented.

The Company accounts for deferred tax applying the “integrally linked” approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability is recognised on a net basis. Under the amendments, the Company will recognise a separate deferred tax asset and deferred tax liability. There will be no impact to deferred tax asset and deferred tax liability recognition, and on retained earnings on adoption of the amendments.

Classification of Liabilities and as Current or Non-Current (AASB 2020-1)

The amendments to AASB 101 Presentation of Financial Statements, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply to annual reporting periods beginning on or after 1st January 2023. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify the meaning of the settlement of a liability. The Company has assessed the impact of this amendment to be not significant.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$Million	\$Million
3. FEES AND COMMISSION		
Investment banking	143.9	180.8
Brokerage commissions	59.7	67.2
Other fees & commission	1.5	0.1
	<u>205.1</u>	<u>248.1</u>
4. INTEREST		
(a) Interest income		
Cash and cash equivalents	40.8	-
Financial assets at fair value through profit or loss	113.9	171.3
Financial assets at amortised cost	84.0	5.0
Loans and receivables	3.0	2.6
Other financial assets	6.9	4.1
	<u>248.6</u>	<u>183.0</u>
(b) Interest expense		
Borrowings	90.8	24.9
Financial liabilities at fair value through profit or loss	104.2	108.3
Financial liabilities at amortised cost	71.5	5.6
Trade and other payables	0.4	0.4
Subordinated debt	14.9	9.0
	<u>281.8</u>	<u>148.2</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$Million	\$Million
5. INCOME TAX		
(a) Income tax expense		
Current tax expense		
Current year	15.2	23.4
Reversal of over provision from prior years	-	(0.1)
Deferred tax benefit		
Origination / (reversal) of timing differences	(1.4)	7.5
Income tax expense	<u>13.8</u>	<u>30.8</u>
(b) Reconciliation between income tax expense and pre-tax profit		
<i>Profit / (loss) before tax</i>	45.7	103.0
Prima facie income tax expense at 30% of profit before tax	13.8	30.9
(Decrease) / increase in income tax expense due to:		
Over provision from prior years	-	(0.1)
Income tax expense	<u>13.8</u>	<u>30.8</u>
(c) Deferred tax assets and tax liabilities		
Details of recognised deferred tax assets		
Provisions	14.1	14.6
Deferred compensation	5.3	4.5
Pension	0.1	-
Deferred tax assets	<u>19.5</u>	<u>19.1</u>
Set-off of deferred tax liabilities pursuant to set-off provisions *	<u>-</u>	<u>(3.0)</u>
Net deferred tax assets	<u>19.5</u>	<u>16.1</u>
Details of recognised deferred tax liabilities		
Others	-	(3.0)
Deferred tax liabilities	<u>-</u>	<u>(3.0)</u>
Set-off of deferred tax assets pursuant to set-off provisions *	<u>-</u>	<u>3.0</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>
* Deferred tax assets and liabilities are set-off where they relate to the same taxation authority on the same taxable entity and where there is a legally enforceable right to offset.		
(d) Movement in temporary differences		
Opening balance at the beginning of the year	16.1	23.8
Adjustments	2.1	(0.2)
Recognised in income	1.3	(7.5)
Closing balance at the end of the year	<u>19.5</u>	<u>16.1</u>
(e) Dividend Franking Account		

The Company's franking account is inoperative since it is a subsidiary member of the tax consolidation group for which Citigroup Pty Limited is the head entity.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$Million	2021 \$Million
6. CASH AND CASH EQUIVALENTS			
Deposits with banks		3,344.0	2,934.8
Client monies and trust accounts		275.2	145.0
		<u>3,619.2</u>	<u>3,079.8</u>

Client monies is restricted to client activities and is not used for own activities.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Financial assets at fair value through profit or loss

Corporate bonds		252.0	246.9
Government bonds		2,010.8	1,996.8
Asset backed securities		70.4	90.0
Listed equity securities		1,717.7	850.6
Unlisted equity securities		7.0	6.5
Unlisted convertible debt		2.1	-
Derivatives	8	349.9	273.3
		<u>4,409.9</u>	<u>3,464.1</u>
Securities purchased subject to resale agreements		1,847.2	2,795.0
Interest receivable from securities subject to resale agreements		2.2	(0.1)
		<u>1,849.4</u>	<u>2,794.9</u>
Financial assets at fair value through profit or loss		<u>6,259.3</u>	<u>6,259.0</u>

Assets pledged

The Company has provided collateral to secure liabilities as part of standard terms of transaction with other financial institutions. The carrying value of financial assets pledged as collateral to secure liabilities are:

Corporate bonds		216.3	212.7
Government bonds		1,959.7	1,940.6
Asset backed securities		13.9	56.4
Listed equity securities		171.5	147.3
		<u>2,361.4</u>	<u>2,357.0</u>

(b) Financial liabilities at fair value through profit or loss

Corporate bonds		51.0	92.4
Government bonds		1,656.2	1,542.8
Listed equity securities		602.8	658.0
Derivatives	8	948.2	485.6
		<u>3,258.2</u>	<u>2,778.8</u>
Securities sold subject to repurchase agreements		2,723.6	2,648.5
Interest payable on securities subject to repurchase agreements		5.6	0.1
		<u>2,729.2</u>	<u>2,648.6</u>
Financial liabilities at fair value through profit or loss		<u>5,987.4</u>	<u>5,427.4</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021	2022	2021
	\$Million	\$Million	\$Million	\$Million

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments predominantly for trading activities. Details of the Company's outstanding derivative contracts at the end of the financial year are as follows:

Fair value assets and liabilities

	Derivative Assets		Derivative Liabilities	
Interest rate contracts	304.3	80.0	267.7	116.5
Foreign exchange contracts	2.3	8.3	14.0	14.7
Equity contracts	43.3	185.0	666.5	354.4
	<u>349.9</u>	<u>273.3</u>	<u>948.2</u>	<u>485.6</u>

9. FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

(a) Financial assets at amortised cost

Securities purchased subject to resale agreements	3,907.1	3,155.6
Interest receivable from securities subject to resale agreements	17.9	0.3
	<u>3,925.0</u>	<u>3,155.9</u>

(b) Financial liabilities at amortised cost

Securities sold subject to repurchase agreements	3,714.6	3,449.9
Interest payable on securities subject to repurchase agreements	5.9	0.4
	<u>3,720.5</u>	<u>3,450.3</u>

10. RECEIVABLES

(a) Carrying amount

Securities sales pending settlement	94.6	132.2
Receivables	409.0	382.3
Gross carrying amount	503.6	514.5
Less: allowance for impairment	(0.9)	(0.8)
Net carrying amount	<u>502.7</u>	<u>513.7</u>

(b) Reconciliation of allowance for impairment

Balance at the beginning of the year	(0.8)	(0.9)
Provisions (increased) / released during the year	(0.1)	0.1
Write-offs during the year	-	-
Balance at the end of the year	<u>(0.9)</u>	<u>(0.8)</u>

11. OTHER FINANCIAL ASSETS

Exchange deposits	779.9	626.3
Other assets	1.8	0.9
	<u>781.7</u>	<u>627.2</u>

Exchange deposits consists of regulatory deposit commitments and margin deposits as a clearing participant of ASX Clear Pty Ltd and ASX Clear (Futures) Pty Limited.

12. BORROWINGS

Term borrowings	2,949.2	2,731.8
Interest payable	9.1	3.9
	<u>2,958.3</u>	<u>2,735.7</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$Million	\$Million
13. TRADE AND OTHER PAYABLES		
Securities purchased pending settlement	246.0	168.9
Accounts payable	45.5	30.4
Customer payables & margin accounts	1,259.9	968.0
Brokerage payable	1.6	1.6
Short-term employee benefits	57.0	62.7
Long-term employee benefits	5.4	5.7
	<u>1,615.4</u>	<u>1,237.3</u>

14. PROVISIONS

Provision for restructuring	0.1	0.1
	<u>0.1</u>	<u>0.1</u>

15. SUBORDINATED DEBT

Subordinated debt	470.0	470.0
Interest payable	1.4	0.5
	<u>471.4</u>	<u>470.5</u>

Subordinated debt is provided by the immediate parent Citigroup Global Markets Australia Holdings Pty Limited.

16. SHARE CAPITAL

Issued and paid up capital:

1,000,000 ordinary shares, fully paid (2021: 1,000,000)	1.0	1.0
698,500 redeemable preference shares, fully paid (2021: 698,500)	176.2	176.2
	<u>177.2</u>	<u>177.2</u>

Ordinary shares entitle the holder to participate in dividends to the number of and amounts paid on the shares held. All shares have equal voting rights, except for redeemable preference shares which carry no voting rights. Redeemable preference shares have priority in any repayment of capital on winding up and have no fixed redemption date. Holders of redeemable preference shares shall only receive a dividend at the discretion of the Directors.

	Ordinary shares		Redeemable preference shares	
	2022	2021	2022	2021
<i>In millions of shares (units)</i>				
Balance at the beginning of the year	1.0	1.0	0.7	0.7
Issued during the year, fully paid	-	-	-	-
Redeemed during the year	-	-	-	-
Balance at the end of the year	<u>1.0</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$Million	\$Million
17. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of net profit to net cash from operating activities		
Net profit	31.9	72.2
Movement in provisions	0.1	(2.7)
Share Based Payment Transactions (Net of tax)	0.3	0.4
Movement in reserves	0.1	0.4
	<u>32.4</u>	<u>70.3</u>
<i>Changes in assets and liabilities during the financial year:</i>		
Decrease in financial assets at fair value through profit or loss	2.3	3,650.8
(Increase) / decrease in financial assets at amortised cost	(769.1)	303.3
Decrease / (increase) decrease in receivables	11.0	(39.2)
Increase in current tax assets	(4.2)	-
(Increase) / decrease in deferred tax assets	(3.4)	7.7
Increase in other financial assets	(154.5)	(80.1)
Increase / (decrease) in financial liabilities at fair value through profit or loss	560.0	(3,901.5)
Increase / (decrease) in financial liabilities at amortised cost	270.2	(141.4)
Increase in trade and other payables	378.1	137.7
(Decrease) / increase in current tax liabilities	(4.2)	1.1
Increase in interest payable on borrowings	6.0	1.1
Net cash from operating activities	<u>324.6</u>	<u>9.8</u>
(b) Reconciliation of net profit to net cash from financing activities		
Increase in borrowings	<u>217.4</u>	<u>1,119.0</u>
	<u>217.4</u>	<u>1,119.0</u>
(c) Financing arrangements		
The Company has access to the following lines of credit:		
Total facilities available at balance date		
- Standby credit facilities - controlling entities	<u>700.0</u>	<u>700.0</u>
Total facilities available at balance date	<u>700.0</u>	<u>700.0</u>
Facilities unused at balance date		
- Standby credit facilities - controlling entities	<u>230.0</u>	<u>230.0</u>
Total facilities unused at balance date	<u>230.0</u>	<u>230.0</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

18. CONTROLLED ENTITIES

	Class of shares	Country of incorporation	Ownership interest 2022 %	2021 %
CONTROLLED ENTITIES OF CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED				
Calex Nominees Pty Limited	Ordinary	Australia	100	100
Dervat Nominees Pty Limited	Ordinary	Australia	100	100
Feta Nominees Pty Limited	Ordinary	Australia	100	100

These controlled entities are small proprietary companies which are not required to produce audited financial statements. All controlled entities have a financial year end of 31st December in line with the Company.

19. RELATED PARTIES

(a) Related party relationships

In this financial report, controlled entities refers to the entities controlled by the Company as disclosed in note 18 *Controlled Entities*.

Controlling entities refers to Citigroup Global Markets Australia Holdings Pty Limited, which owns 100% of the issued shares of the Company, and companies directly in the ownership chain up to and including Citigroup Inc., the ultimate parent of the Company incorporated in the United States of America.

Commonly controlled entities refer to entities controlled by the ultimate parent of the Company, Citigroup Inc. Citigroup Inc. produces publicly available financial statements.

The Company provides administrative services to related entities. Management fees are charged by the Company, based on the use of its services by related entities. Management fees are paid by the Company to related entities based on the use of their services.

Management fees paid by the Company for these services are calculated based on "cost plus margin". The methodology employed in determining the amount of costs for the purposes of calculating the management fee is based on costs incurred in the previous year. This management fee methodology is reviewed annually.

Information regarding transactions and balances with Controlled, Controlling and Commonly Controlled entities is disclosed in note 19(b) and note 19(c). Information regarding transactions and balances with key management personnel is disclosed in note 19(d).

(b) Transactions with Controlled, Controlling and Commonly Controlled entities

	Controlled	Controlling	Commonly controlled	Total
	\$Million	\$Million	\$Million	\$Million
2022				
Fee and commission income	-	2	55	57
Net trading income	-	-	(1,217)	(1,217)
Interest income	-	-	100	100
Interest expense	-	(105)	(38)	(143)
Management fee income	-	-	13	13
Expenses	-	-	(99)	(99)
	-	(103)	(1,186)	(1,289)
2021				
Fee and commission income	-	-	59	59
Net trading income	-	-	71	71
Interest income	-	-	7	7
Interest expense	-	(34)	(1)	(35)
Management fee income	-	-	8	8
Expenses	-	-	(103)	(103)
	-	(34)	41	7

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19. RELATED PARTIES (continued)

(c) Balances with Controlled, Controlling and Commonly Controlled entities

	Controlled	Controlling	Commonly controlled	Total
	\$Million	\$Million	\$Million	\$Million
2022				
<i>Assets</i>				
Cash and cash equivalents	-	-	3,619	3,619
Financial assets at fair value through profit or loss	-	-	343	343
Financial assets at amortised cost	-	-	3,901	3,901
Loans and receivables	-	-	415	415
Other financial assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>8,278</u>	<u>8,278</u>
<i>Liabilities</i>				
Borrowings	-	2,958	-	2,958
Financial liabilities at fair value through profit or loss	-	-	340	340
Financial liabilities at amortised cost	-	-	3,533	3,533
Trade and other payables	-	6	677	683
Subordinated debt	-	471	-	471
	<u>-</u>	<u>3,435</u>	<u>4,550</u>	<u>7,985</u>
2021				
<i>Assets</i>				
Cash and cash equivalents	-	-	3,080	3,080
Financial assets at fair value through profit or loss	-	-	269	269
Financial assets at amortised cost	-	-	3,111	3,111
Loans and receivables	-	-	341	341
Other financial assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>6,801</u>	<u>6,801</u>
<i>Liabilities</i>				
Borrowings	-	2,736	-	2,736
Financial liabilities at fair value through profit or loss	-	-	275	275
Financial liabilities at amortised cost	-	-	3,267	3,267
Trade and other payables	-	7	576	583
Subordinated debt	-	471	-	471
	<u>-</u>	<u>3,214</u>	<u>4,118</u>	<u>7,332</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19. RELATED PARTIES (continued)

(d) Key management personnel compensation

Key management personnel compensation represents compensation paid or payable to the Directors and specified employees by the Company or related entities for their services to the Company. Payments to former key management personnel for their period of service have also been included in the compensation computation.

	2022	2021
	\$000	\$000
Short term employee benefits	6,491	7,207
Other long term employee benefits	278	31
Post-employment benefits	72	72
Equity compensation benefits	1,760	1,127
Total income payable or otherwise made available to all key management personnel of the Company	<u>8,601</u>	<u>8,437</u>

Some key management personnel compensation has also been paid by Citigroup Pty Limited and Citibank NA Australia during 2022 and is included in the results of those companies.

20. AUDITOR'S REMUNERATION

Statutory audit	218	203
Regulatory audits	<u>103</u>	<u>96</u>
	<u>321</u>	<u>299</u>

Auditor's remuneration has been paid during 2022 by Citigroup Pty Limited, a related party, and is included in the results of that company.

Statutory audit fees relate to the audit of the financial statements of the Company in accordance with the requirements of the *Corporations Act 2001*.

Regulatory audits relate to ASX Clear, Cboe Australia, AFSL and APRA RRS710 audits.

21. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31st December, 2022 (31st December, 2021: nil).

22. CAPITAL MANAGEMENT

The Company is subject to regulation by the ASX Limited, ASX Clear Pty Limited, ASX Clear (Futures) Pty Limited and Cboe Australia Pty Limited including regulatory capital requirements. The Company has complied with all regulatory capital requirements throughout the year.

The Company's capital management objectives are to ensure that capital is maintained at a level that meets regulatory requirements. The capital is monitored and managed regularly by management's Asset and Liability Committee (ALCO) and by the Board of Directors.

Financial instruments, both on and off-balance sheet, impact the regulatory capital position of the Company. Positions in financial instruments are entered into by the Company in the normal course of business to provide financial services to customers, manage exposure to risk and for trading purposes.

Positions in financial instrument transactions are subject to credit standards, risk-limiting and monitoring procedures. Collateral requirements are determined by evaluating each customer and product.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from the use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Strategic risk
- Reputation risk
- Compliance risk

This note presents information about the Company's exposure to each of these risks and the objectives, policies and processes for measuring and managing risk. The management of capital is discussed in note 22.

Risk Management Framework

The Company's Risk Management Framework aligns with and is consolidated within the global Citi Enterprise Risk Management Framework. The Risk Management Framework recognises the diversity of business activities by balancing strong corporate oversight with well-defined independent risk management functions. Management of risk is the collective responsibility of all employees. As stipulated in the framework, accountability is assigned into 'three lines of defence' as outlined by the global Citi Risk Appetite Policy.

The Company's Business Plan includes the identification of, and process for managing, material risks faced by the Company.

Risks are regularly reviewed with the independent business-level risk managers, senior business manager's and, as appropriate, the Board.

The Risk Management Framework is grounded on the following principles which apply to all businesses and all material risks:

- Risk management is integrated within the business plan and strategy;
- Risks and resulting returns are owned and managed by an accountable business unit;
- Risks are managed within a limit framework; risk limits are endorsed by business management and approved by independent risk management;
- Risk management policies are clearly and formally documented;
- Risks are measured using defined methodologies, including stress testing and approved portfolio benchmarks; and
- Risks are comprehensively reported throughout the organisation.

Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfill contractual obligations. This may be characterised in terms of an actual Default or by deterioration in counterparty's credit quality. The former case may result in an actual and immediate loss, whereas in the latter case, future losses become more likely leading to a mark-to-market impact. When characterising credit risk, the Exposure at Default, probability of Default, and Loss Given Default are the key aspects.

Credit exposure can be divided into direct, contingent and pre-settlement exposure. Credit exposure is also generated through settlement risk and clearing risk. All exposures are monitored against approved credit lines or approved thresholds.

Pre-settlement exposure is measured based on the current market values, plus an allowance for the likely movement in market rates over the remaining term of the contract. Counterparty limits or approved thresholds cover all trading activity.

The Company has developed comprehensive credit and operation policies and procedures with respect to recording, clearance and monitoring control processes, to ensure that all customer transactions are promptly accounted for, accurate and that credit quality is closely monitored.

There is credit risk associated with the institutional activities in the Company as well as exposure resulting from balance sheet and liquidity management of the Company. Examples include financing transactions, cash trades, placement of monies in the interbank market, as well as holding of investment securities. Credit risk exposure is also generated through daylight overdrafts and settlement risk.

All institutional exposures are monitored daily against approved credit lines. The credit risk is managed and monitored by the Institutional Clients Group (ICG) within their current Credit Risk Management Framework.

Market risk

Market risk includes traded / price risk and non-traded / interest rate risk. Price risk is the risk to current or anticipated earnings or capital arising from changes in the value of either trading portfolios or other obligations that are entered into as part of distributing risk. Interest rate risk is the risk to current or anticipated earnings or capital arising from movements in interest rates.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Management of market risk

Traded and non-traded market risk is managed through Citigroup-wide standards and business policies and procedures. All businesses that take market risks in trading or accrual portfolios have market risk limits approved by Market Risk Management (MRM) in accordance with the rules governing Market Risk Policy. All risk-taking units have independent market risk limits that clearly define approved risk profiles and reflect Citigroup's overall risk appetite.

The level of price risk assumed by a business is based on its objectives and earnings, its capacity to manage risk, and by the sophistication of the market. Limits are established for each major category of risk. The market risk limit structure includes limits by desk, country, region, legal entity and division.

Traded market risk (trading book)

The MRM and the trading businesses have implemented a market risk limit and trigger framework across all of its trading businesses. In addition to adhering to market risk limits and triggers, risk taking units are required to trade only within their permitted products list, approved by MRM. Market risk exposures against limits and triggers are monitored daily and limits must be reviewed at least annually by MRM. Should limit excesses occur, these must be reported as specified in the Market Risk Policy. MRM and the applicable business management are responsible for agreeing on the appropriate corrective action, including a resolution date. The methodologies used to measure market risk exposures must be approved by Citigroup Risk Analytics.

In addition, MRM has implemented a market risk policy and stress testing policy where market risk limits and triggers are monitored daily. The Board is included in the distribution of the daily market report. Market risk limits and trigger excesses are actioned as specified in the policies. Market risk limits and triggers are reviewed at least annually and any changes will require Board approval. The market risk exposure is presented to the Board at each Board meeting. In addition, risk exposures are also presented and discussed in the Risk Management Committee meetings.

Non-traded market risk (banking book)

The Company did not engage in non-traded market risk during the year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs. The Company is exposed to liquidity risk in its business activities.

The Company maintains a liquidity risk management framework designed with the objective of funding their obligations under a range of market conditions, including stress scenarios.

The Company ensures that it will have sufficient liquidity to meet its liabilities as and when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

Operational risk

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

Operational risk is inherent in the Company's global business activities and, global business activities and, as with other risk types, is managed through an overall framework with checks and balances that include:

- Recognised ownership of the risk by the businesses;
- Oversight by independent risk management; and
- Independent review by Internal Audit.

Framework

The Company's approach to operational risk is defined in the Operational Risk Management Policy (the Policy). The objective of the Policy is to establish a consistent framework for assessing and communicating operational risk and overall effectiveness of the internal control environment across the Company. Each major business segment to implement an operational risk process consistent with the requirements of the Policy.

The Governance Risk and Compliance (GRC) "Manager's Control Assessment" (MCA) is used as the formal governance and reporting structure. MCA aims to:

- create a framework for discussing operational risks and controls;
- renew focus on the design and execution of operational controls;
- increase the capabilities for managers to obtain and consider multiple sources of control-related information in order to determine the adequacy of the overall control environment e.g. corrective action plans and loss event data; and
- help managers across Citigroup gain early line of sight into control issues and vulnerabilities, and emerging risks.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

23. FINANCIAL RISK MANAGEMENT (continued)

Operational risk (continued)

Framework (continued)

The GRC MCA standards for Risk Assessment and Controls Monitoring are applicable to all businesses and staff functions and establish a process whereby important risks inherent in the activities of a business are identified and the effectiveness of the key controls over those risks are evaluated and monitored.

MCA supports the management of GRC Risks and is a key component of the Business Environment and Internal Control Factors (BEICFs) required under the Basel Capital Standard. MCA Standard is consistent with the requirements of the COSO 2013 Internal Control – Integrated Framework, and complement Sarbanes-Oxley (SOX) Sections 302 and 404, to support overall Internal Control over Financial Reporting (ICFR).

The GRC MCA is a comprehensive self-assessment program, methodology and tools that allow management to enable i) risk and control identification; ii) assessment and monitoring; and iii) residual risk management for all GRC risks. MCA is focused on the most significant risks and key controls. MCA provides Citi's Management and independent risk and control functions a holistic view of residual risk rating and insight into trends and drivers for their business or function.

The operational risk standards facilitate the effective communication of operational risk within and across businesses. Information about the businesses' operational risk, historical losses and the control environment is reported by each major business segment and functional area and summarised for senior management and the Board.

The entire process is monitored and periodically validated by in-country independent Compliance & Enterprise Risk Management teams and is subject to audit by the Company's Internal Audit Department. The results of GRC MCA are included in periodic management reporting, including reporting to senior management.

Audits

Internal Audit (IA) undertakes independent periodic audits of all businesses of the Company using a risk-based approach.

Reputation risk

Reputation risk is the risk to current or projected financial condition and resilience resulting from negative opinion held by key stakeholders. Reputation risk can arise from, or exist in combination with, other key risks, primarily Operational, Strategic and Compliance risk or through failure to consider long-term impacts of business decisions on stakeholders.

All Citi product lines and functions are responsible for identifying and managing material reputation risks and for escalating concerns to the appropriate Reputation Risk Committee Coordinators where reputation risk exceeds Citi's Reputation Risk Appetite, in accordance with the Governance Policy, Escalation Policy and the Reputation Risk Escalation Procedure. The Group Reputation Risk Committee will communicate reputation risk issues to the appropriate Board committee(s), as needed.

Strategic risk

Strategic risk is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from poor, but authorised, business decisions (in compliance with regulations, policies and procedures), an inability to adapt to changes in the operating environment, or other external factors that may impair the ability to carry out a business strategy.

The Company's senior management are responsible for the development and execution of strategy. At the business level, business heads are accountable for the interpretation and execution of the business plan, as it applies to their area, including decisions on new product introductions.

The management of strategic risk rests upon elements such as clear articulation of the Company's strategy, defined financial and operating targets, regular updates to senior management and the Board on performance, including financial and operating targets, current and potential macro-economic events, the strength of capital and liquidity positions, staffing levels, stress testing results and other factors such as market growth rates and peer analysis and management scorecards.

In assessing its strategic risks, the Company assesses emerging risks through the material risk inventory. This includes climate risk, which refers to the risk of loss arising from the physical risks of climate change (e.g., increased storms, droughts, etc.) or the transition risks from policy, technology or market shifts to address climate change (e.g., carbon tax policy, battery storage technology, etc.). Climate risk can act as a driver of other types of risk in the Risk Taxonomy (e.g. credit risk, operational risk, reputational risk).

Compliance risk

Compliance risk is the risk arising from violations of, or non-conformance with, local, national, or cross-border laws, rules, or regulations, Citi's internal policies, or relevant standards of conduct or risk of harming customers, clients or the integrity of the market. Citi's objective is to embed an enterprise-wide compliance risk management framework and culture that identifies, measures, monitors, mitigates, and controls compliance risk across the three lines of defence.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Carrying value

The carrying value of financial assets and liabilities approximates fair value.

(b) Fair value hierarchy

Financial instruments carried at fair value are categorised into different levels in the table below. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Valuation techniques with significant inputs for the asset or liability that are not based on observable market data.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 \$Million	Level 2 \$Million	Level 3 \$Million	Total \$Million
2022				
Assets				
Corporate bonds	25.2	226.8	-	252.0
Government bonds	981.3	1,029.5	-	2,010.8
Asset Backed Securities	-	21.9	48.5	70.4
Listed equity securities	1,651.5	66.2	-	1,717.7
Unlisted equity securities	-	-	7.0	7.0
Unlisted convertible debt	-	2.1	-	2.1
Derivatives	-	346.9	3.0	349.9
Securities purchased subject to resale agreements	-	1,849.4	-	1,849.4
Financial assets at fair value through profit or loss	<u>2,658.0</u>	<u>3,542.8</u>	<u>58.5</u>	<u>6,259.3</u>
Liabilities				
Corporate bonds	10.2	40.8	-	51.0
Government bonds	1,261.1	395.1	-	1,656.2
Listed equity securities	600.5	0.4	1.9	602.8
Derivatives	-	927.8	20.4	948.2
Securities sold subject to repurchase agreements	-	2,729.2	-	2,729.2
	<u>1,871.8</u>	<u>4,093.3</u>	<u>22.3</u>	<u>5,987.4</u>
2021				
Assets				
Corporate bonds	36.2	210.7	-	246.9
Government bonds	648.4	1,348.4	-	1,996.8
Asset Backed Securities	-	60.8	29.2	90.0
Listed equity securities	838.3	12.3	-	850.6
Unlisted equity securities	-	-	6.5	6.5
Derivatives	-	273.0	0.3	273.3
Securities purchased subject to resale agreements	-	2,794.9	-	2,794.9
Financial assets at fair value through profit or loss	<u>1,522.9</u>	<u>4,700.1</u>	<u>36.0</u>	<u>6,259.0</u>
Liabilities				
Corporate bonds	37.0	55.3	0.1	92.4
Government bonds	1,020.6	522.2	-	1,542.8
Listed equity securities	645.5	12.4	0.1	658.0
Derivatives	-	475.5	10.1	485.6
Securities sold subject to repurchase agreements	-	2,648.6	-	2,648.6
	<u>1,703.1</u>	<u>3,714.0</u>	<u>10.3</u>	<u>5,427.4</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Level 3 Reconciliation

For the year-ended

	31 December 2022			31 December 2021		
	Financial assets \$Million	Financial liabilities \$Million	Net \$Million	Financial assets \$Million	Financial liabilities \$Million	Net \$Million
Balance at the beginning of the year	36.0	10.3	25.7	9.5	33.0	(23.5)
In profit or (loss)						
- realised	0.4	(0.4)	0.8	2.3	(11.2)	13.5
- unrealised	2.9	4.3	(1.4)	(4.5)	(12.3)	7.8
Purchases	53.6	(0.5)	54.1	71.4	(8.4)	79.8
Sales	(24.4)	0.2	(24.6)	(24.5)	9.2	(33.7)
Settlements	2.0	0.4	1.6	-	17.8	(17.8)
Transfers into and out of level 3	(12.0)	8.0	(20.0)	(18.2)	(17.8)	(0.4)
Balance at the end of the year	58.5	22.3	36.2	36.0	10.3	25.7

(i) Transfers into / (out of) Level 3

	31 December 2022			31 December 2021		
	Financial assets \$Million	Financial liabilities \$Million	Net \$Million	Financial assets \$Million	Financial liabilities \$Million	Net \$Million
Level 1/2 to Level 3	1.0	(20.1)	21.1	2.1	5.3	(3.2)
Level 3 to Level 1/2	(13.0)	12.1	(25.1)	(20.3)	(23.1)	2.8
Net transfers into / (out of) Level 3	(12.0)	(8.0)	(4.0)	(18.2)	(17.8)	(0.4)

Transfers into Level 3 from Level 2 are due to certain underlying market inputs becoming less observable this year, with reduced coverage from external market data sources. The products affected are structured debt instruments, equity derivative contracts and corporate bonds.

Transfers out of Level 3 to Level 2 largely relate to equity derivative contracts as certain underlying market inputs become observable.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Measurement of fair values

(i) Valuation techniques and key inputs

Information on how the Company measures and determines fair value is disclosed in note 2(t) *Measurement and determination of fair value*.

The following tables show the valuation techniques used in measuring Level 3 and Level 2 fair values, as well as the key inputs used.

LEVEL 3

Type	Valuation technique	Key unobservable inputs	Range of estimates (minimum, maximum, weighted average) for unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Equities	Price-based	Price	(\$0.00 - \$0.78) \$0.69	
Equity options	Model-based	Equity volatility	(12.52% - 68.24%) 16.55%	
Equity options	Model-based	Equity-Equity Correlation	(92.57% - 92.57%) 92.57%	
Equity options	Model-based	Equity Forward	(77.61% - 105.26%) 102.41%	
Equity swaps	Model-based	Equity volatility	(0.78% - 111.25%) 35.25%	The estimated fair value would increase (decrease) as estimated volatility and prices increases (decreases).
Warrants	Model-based	Equity volatility	(12.25% - 21.6%) 19.45%	
Corporate Bonds	Price-based	Yield	(\$0.00 - \$100.00) \$100.00	
Government Bonds	Price-based	Yield	(\$100.00 - \$100.00) \$100.00	
Asset Backed Securities	Price-based	Yield	(\$96.00 - \$100.30) \$99.68	
Unlisted equity	Price-based	Appraised value	\$7,044,000	

LEVEL 2

Type	Valuation technique	Key inputs
Equity securities	Externally verified, price-based	Price
Commodity and other contracts	Model based valuation/inputs verified	Yields / basis spreads
Interest rate contracts	Model based valuation/inputs verified	Yields / basis spreads
Government bonds	Externally verified	Yields
Corporate bonds	Externally verified	Yields
Floating rate notes	Externally verified	Price
Government - index linked bonds	Externally verified	Yields
Asset Backed Securities	Externally verified	Yields
Foreign exchange contracts	Model based valuation/inputs verified	Spot FX / yields

When available, the Company generally uses quoted market prices to determine fair value and classifies such items as Level 1. In some cases where a market price is unavailable, the Company will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified as Level 2.

For bonds traded over the counter, the Company generally determines fair value using valuation techniques, including discounted cash flows, price-based and internal models, such as Black-Scholes and Monte Carlo simulation. Fair value estimates from these internal valuation techniques are verified, where possible, to prices obtained from independent vendors and brokers. Vendors compile prices from various sources and may apply matrix pricing for similar bonds where no price is observable. Vendors or brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The yields used in discounted cash flow models are derived from the same price information. Trading securities priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security, a quoted price is stale, a significant adjustment to the price of a similar security is necessary to reflect differences in the terms of the actual security being valued, or prices from independent sources are insufficient to corroborate valuation, a security is generally classified as Level 3.

The Company may also apply a price-based methodology, which uses, where available, quoted prices or other market information obtained from recent trading activity in positions with the same or similar characteristics to the position being valued. The market activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations may be classified as Level 2.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(ii) Sensitivity analysis - Level 3 key unobservable inputs

Sensitivity to unobservable inputs and interrelationships between unobservable inputs

The impact of key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the impact on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability.

Volatility

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Typically, instruments can become more expensive if volatility increases. For example, as an index becomes more volatile, the cost to the Company of maintaining a given level of exposure increases because more frequent rebalancing of the portfolio may be required.

Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike are not observable. The general relationship between changes in the value of a portfolio to changes in volatility also depends on changes in interest rates and the level of the underlying index. Generally, long option positions (assets) benefit from increases in volatility, and short option positions (liabilities) will suffer losses. Some instruments are more sensitive to changes in volatility than others. For example, an at-the-money option would experience a larger percentage change in its fair value than a deep-in-the-money option.

Price

The price input is a significant unobservable input for certain equity securities. However, the range of price inputs varies depending on the nature of the position, the number of shares outstanding and other factors. Because of these factors, the weighted average price input for equity securities does not provide insight regarding the central tendencies of the ranges for equity securities, since equity prices are generally independent of one another and are not subject to a common measurement scale.

(iii) Transfers between Level 1 and Level 2

	31 December 2022		31 December 2021	
	Transfer into / (out) of Level 1 \$Million	Transfer into / (out) of Level 2 \$Million	Transfer into / (out) of Level 1 \$Million	Transfer into / (out) of Level 2 \$Million
Financial assets	498.5	(498.5)	(804.1)	804.1
Financial liabilities	299.3	(299.3)	66.5	(66.5)
Net transfers	<u>797.8</u>	<u>(797.8)</u>	<u>(737.6)</u>	<u>737.6</u>

Transfers out of Level 1 into Level 2 largely relate to bond and equity securities which are traded infrequently when tested against a pre-determined policy-based threshold.

Transfers out of Level 2 into Level 1 relate to bond and equity securities whose trading frequency has improved when tested against a pre-determined policy-based threshold.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

25. CREDIT RISK RATING

	2022	2021
	\$Million	\$Million
(a) The Company's maximum exposure to credit risk of financial assets:		
Cash and cash equivalents	3,619.2	3,079.8
Financial assets at fair value through profit or loss	6,259.3	6,259.0
Financial assets at amortised cost	3,925.0	3,155.9
Loans and receivables	502.7	513.7
Other financial assets	781.7	627.2
	<u>15,087.9</u>	<u>13,635.6</u>
(b) Counterparty exposure by credit rating		
AAA	1,409.6	1,521.8
AA+ to AA-	5,199.6	4,188.6
A+ to A-	2,271.5	2,817.1
BBB+ to BBB-	4,789.9	3,896.7
BB+ to BB-	552.2	545.5
B+ to B-	0.2	4.8
CCC to CCC-	9.7	9.5
Not Rated	855.2	651.6
	<u>15,087.9</u>	<u>13,635.6</u>

Counterparty exposure for listed equity and debt securities purchased is determined with reference to the underlying securities. All other exposures are determined with reference to the counterparty.

(c) Collateral received

All collateral received from counterparties to secure liabilities is received in the form of cash or securities. These transactions are conducted as part of standard terms of transaction with other financial institutions.

An estimate of the fair value of collateral held is as follows:

Securities subject to resale agreements	5,105.3	5,355.7
Derivatives	0.9	58.3
	<u>5,106.2</u>	<u>5,414.0</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

26. CREDIT RISK CONCENTRATIONS

Industry Sectors	Trading securities and derivatives \$Million	Securities purchased subject to resale \$Million	Loans and receivables \$Million	Cash and other financial assets \$Million	Total \$Million
2022					
Government and public authorities	1,131.0	-	-	-	1,131.0
Financial services	3,956.1	3,925.0	473.6	4,399.3	12,754.0
Telecommunications and media	25.9	-	-	-	25.9
Manufacturing	80.5	-	-	-	80.5
Real estate	18.6	-	-	-	18.6
Hospitality	2.2	-	-	-	2.2
Energy and utilities	47.3	-	-	-	47.3
Healthcare	4.1	-	-	-	4.1
Other commercial and industrial	993.6	-	29.1	1.6	1,024.3
	<u>6,259.3</u>	<u>3,925.0</u>	<u>502.7</u>	<u>4,400.9</u>	<u>15,087.9</u>
2021					
Government and public authorities	1,187.4	-	-	-	1,187.4
Financial services	4,567.7	3,155.9	366.5	3,706.5	11,796.6
Telecommunications and media	25.7	-	-	-	25.7
Manufacturing	58.8	-	-	-	58.8
Real estate	9.4	-	-	-	9.4
Hospitality	5.4	-	-	-	5.4
Energy and utilities	60.0	-	22.7	-	82.7
Healthcare	0.1	-	-	-	0.1
Other commercial and industrial	344.5	-	124.5	0.5	469.5
	<u>6,259.0</u>	<u>3,155.9</u>	<u>513.7</u>	<u>3,707.0</u>	<u>13,635.6</u>

Credit risk concentration is determined as described in note 25 *Credit risk rating*.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

27. EXPOSURE TO MARKET RISK

The Company segregates its exposure to market risk between trading and non-trading portfolios. Trading portfolios cover risks arising from market making, together with financial assets and liabilities that are managed on a fair value basis.

Traded Market Risk

Traded market risk is managed and controlled using a value-at-risk (VaR) model along with factor sensitivities which are the standard measures used in the industry. VaR is an estimate of the potential losses resulting from interest rate risk (spread and volatility), equity risk (spot and volatility), currency exchange risk (spot and volatility), and commodity risk. VaR is calculated with internally developed models designed to capture the market risk of each specific product in the corporate portfolio. The one-day 99% VaR is obtained from the sample 1% quantile of the distribution of portfolio profit and loss obtained as a result of 5,000 Monte-Carlo simulated scenarios of one-day changes in the market risk factors underlying the portfolio.

The market factors are modelled as either normal or lognormal stochastic diffusion processes. Volatility parameters are calculated using the most recent historical times series data available, typically of three years in length. Under these assumptions, the market factor returns are multivariate normal. The one-day period covariance matrix characterising in the multivariate normal distribution of these market factor changes is estimated from the historical times series data of market rates/prices. VaR is integrated into the daily risk management process and is managed against the Company's VaR limits.

Non-Traded Market Risk

The Company segregates its exposure to market risk between trading and non-trading portfolios. Trading book portfolios cover risks arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. The Company currently does not have a banking book.

Summary of the 1 day VaR position of the trading portfolio:	Balance	Average	Maximum	Minimum
	\$Million	\$Million	\$Million	\$Million
As at 31 December, 2022	4.1	4.5	9.8	2.9
As at 31 December, 2021	2.7	4.9	10.6	2.7

Average, maximum and minimum positions are calculated over the year ended 31 December.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

28. INTEREST RATE RISK

Exposure to interest rate risk for each class of financial assets and financial liabilities is as follows:

	Floating interest rate \$Million	Fixed interest rate < 1 year \$Million	Fixed interest rate 2-5 years \$Million	Fixed interest rate > 5 years \$Million	Non- interest bearing \$Million	Total \$Million
2022						
<i>Financial assets</i>						
Cash and cash equivalents	3,619.2	-	-	-	-	3,619.2
Financial assets at fair value through profit or loss	122.9	1,939.7	924.8	1,421.4	1,850.5	6,259.3
Financial assets at amortised cost	959.6	2,947.5	-	-	17.9	3,925.0
Loans and receivables	0.3	-	-	-	502.4	502.7
Other financial assets	779.9	-	-	-	1.8	781.7
	<u>5,481.9</u>	<u>4,887.2</u>	<u>924.8</u>	<u>1,421.4</u>	<u>2,372.6</u>	<u>15,087.9</u>

Financial liabilities

Borrowings	2,949.2	-	-	-	9.1	2,958.3
Financial liabilities at fair value through profit or loss	6.6	2,816.4	1,209.7	629.7	1,325.0	5,987.4
Financial liabilities at amortised cost	1,132.9	2,581.7	-	-	5.9	3,720.5
Trade and other payables	1,315.0	-	-	-	300.4	1,615.4
Subordinated debt	470.0	-	-	-	1.4	471.4
	<u>5,873.7</u>	<u>5,398.1</u>	<u>1,209.7</u>	<u>629.7</u>	<u>1,641.8</u>	<u>14,753.0</u>

	Floating interest rate \$Million	Fixed interest rate < 1 year \$Million	Fixed interest rate 2-5 years \$Million	Fixed interest rate > 5 years \$Million	Non- interest bearing \$Million	Total \$Million
2021						
<i>Financial assets</i>						
Cash and cash equivalents	3,079.8	-	-	-	-	3,079.8
Financial assets at fair value through profit or loss	151.3	3,466.3	573.9	1,169.9	897.6	6,259.0
Financial assets at amortised cost	876.7	2,278.9	-	-	0.3	3,155.9
Loans and receivables	0.1	-	-	-	513.6	513.7
Other financial assets	626.3	-	-	-	0.9	627.2
	<u>4,734.2</u>	<u>5,745.2</u>	<u>573.9</u>	<u>1,169.9</u>	<u>1,412.4</u>	<u>13,635.6</u>

Financial liabilities

Borrowings	2,731.8	-	-	-	3.9	2,735.7
Financial liabilities at fair value through profit or loss	4.3	2,801.6	729.5	955.3	936.7	5,427.4
Financial liabilities at amortised cost	363.6	3,086.3	-	-	0.4	3,450.3
Trade and other payables	991.7	-	-	-	245.6	1,237.3
Subordinated debt	470.0	-	-	-	0.5	470.5
	<u>4,561.4</u>	<u>5,887.9</u>	<u>729.5</u>	<u>955.3</u>	<u>1,187.1</u>	<u>13,321.2</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

29. LIQUIDITY RISK – CONTRACTUAL MATURITY PROFILE

The tables below present cash flows associated with financial liabilities, including derivative liabilities, payable at the balance sheet date, by remaining contractual maturity. The amounts disclosed in the table are the contractual cash flows, whereas the Company manages inherent liquidity risk based on expected cash flows.

Cash flows associated with liabilities include both principal payments as well as fixed or variable interest payments incorporated into the relevant coupon period. Principal payments reflect the earliest contractual maturity date.

Foreign exchange obligations have been translated to Australian dollars using the closing spot rates at the end of the financial year.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

2022	< 1 year	1-5 years	> 5 years	Total
	\$Million	\$Million	\$Million	\$Million
<i>Financial liabilities</i>				
Borrowings	1,525.1	1,386.4	299.4	3,210.9
Financial liabilities at fair value through profit or loss	4,157.7	1,326.2	718.0	6,201.9
Financial liabilities at amortised cost	3,731.9	-	-	3,731.9
Trade and other payables	1,615.4	-	-	1,615.4
Current tax liabilities	-	-	-	-
Subordinated debt	23.7	554.4	-	578.1
	<u>11,053.8</u>	<u>3,267.0</u>	<u>1,017.4</u>	<u>15,338.2</u>
2021	< 1 year	1-5 years	> 5 years	Total
	\$Million	\$Million	\$Million	\$Million
<i>Financial liabilities</i>				
Borrowings	1,587.9	943.0	279.8	2,810.7
Financial liabilities at fair value through profit or loss	3,765.9	845.9	1,026.7	5,638.5
Financial liabilities at amortised cost	3,450.3	-	-	3,450.3
Trade and other payables	1,237.3	-	-	1,237.3
Current tax liabilities	4.2	-	-	4.2
Subordinated debt	9.0	36.0	474.8	519.8
	<u>10,054.6</u>	<u>1,824.9</u>	<u>1,781.3</u>	<u>13,660.8</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Company currently has a legally enforceable right of set-off for the recognised amounts and there is an intention to settle net or realise the asset and settle the liability simultaneously. In the normal course of business, the Company enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or termination of the contracts.

The following table presents the recognised financial instruments that are subject to set off arrangements or subject to enforceable master netting agreements or other similar agreements but were not offset. The 'Net' column shows what the net impact would be on the Company's Statement of Financial Position if all set-off rights were exercised.

	Amounts subject to enforceable master netting or similar agreements				Financial assets / (liabilities) not subject to enforceable master netting or similar agreements	Total financial assets / (liabilities) recognised
	Related amounts not set-off					
Amounts of recognised financial assets / (liabilities)	Financial instruments	Financial collateral (received) / pledged	Net amount			
\$Million	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million
2022						
Financial assets						
Financial assets at fair value through profit or loss:						
Corporate bonds	252.0	-	-	252.0	-	252.0
Government bonds	2,010.8	-	-	2,010.8	-	2,010.8
Asset Backed Securities	70.4	-	-	70.4	-	70.4
Listed equity securities	1,717.7	-	-	1,717.7	-	1,717.7
Unlisted equity securities	7.0	-	-	7.0	-	7.0
Unlisted convertible debt	2.1	-	-	2.1	-	2.1
Derivatives	349.9	(240.2)	(30.2)	79.5	-	349.9
Securities purchased subject to resale agreements	1,849.4	(1,339.8)	(509.6)	-	-	1,849.4
Financial assets at amortised cost	3,925.0	(3,495.1)	(429.9)	-	-	3,925.0
	<u>10,184.3</u>	<u>(5,075.1)</u>	<u>(969.7)</u>	<u>4,139.5</u>	<u>-</u>	<u>10,184.3</u>
Financial liabilities						
Financial liabilities at fair value through profit or loss:						
Corporate bonds	(51.0)	-	-	(51.0)	-	(51.0)
Government bonds	(1,656.2)	-	-	(1,656.2)	-	(1,656.2)
Listed equity securities	(602.8)	-	-	(602.8)	-	(602.8)
Derivatives	(948.2)	240.2	66.3	(641.7)	-	(948.2)
Securities purchased subject to repurchase agreements	(2,729.2)	1,339.8	1,389.4	-	-	(2,729.2)
Financial liabilities at amortised cost	(3,720.5)	3,495.1	225.4	-	-	(3,720.5)
	<u>(9,707.9)</u>	<u>5,075.1</u>	<u>1,681.1</u>	<u>(2,951.7)</u>	<u>-</u>	<u>(9,707.9)</u>

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

30. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (continued)

	Amounts subject to enforceable master netting or similar agreements				Financial assets / (liabilities) not subject to enforceable master netting or similar agreements	Total Financial assets / (liabilities) recognised
	Related amounts not set-off					
	Amounts of recognised Financial assets / (liabilities)	Financial instruments	Financial collateral (received) / pledged	Net amount		
	\$Million	\$Million	\$Million	\$Million	\$Million	\$Million
2021						
Financial assets						
Financial assets at fair value through profit or loss:						
Corporate bonds	246.9	-	-	246.9	-	246.9
Government bonds	1,996.8	-	-	1,996.8	-	1,996.8
Asset Backed Securities	90.0	-	-	90.0	-	90.0
Listed equity securities	850.6	-	-	850.6	-	850.6
Unlisted equity securities	6.5	-	-	6.5	-	6.5
Derivatives	273.3	(174.8)	(58.3)	40.2	-	273.3
Securities purchased subject to resale agreements	2,794.9	(1,728.6)	(1,066.3)	-	-	2,794.9
Financial assets at amortised cost	3,155.9	(2,460.2)	(695.7)	-	-	3,155.9
	<u>9,414.9</u>	<u>(4,363.6)</u>	<u>(1,820.3)</u>	<u>3,231.0</u>	<u>-</u>	<u>9,414.9</u>
Financial liabilities						
Financial liabilities at fair value through profit or loss:						
Corporate bonds	(92.4)	-	-	(92.4)	-	(92.4)
Government bonds	(1,542.8)	-	-	(1,542.8)	-	(1,542.8)
Listed equity securities	(658.0)	-	-	(658.0)	-	(658.0)
Derivatives	(485.6)	174.8	19.0	(291.8)	-	(485.6)
Securities purchased subject to repurchase agreements	(2,648.6)	1,728.6	920.0	-	-	(2,648.6)
Financial liabilities at amortised cost	(3,450.3)	2,460.2	990.1	-	-	(3,450.3)
	<u>(8,877.7)</u>	<u>4,363.6</u>	<u>1,929.1</u>	<u>(2,585.0)</u>	<u>-</u>	<u>(8,877.7)</u>

For the purpose of this disclosure, the related amounts of financial instruments and financial collateral not set-off on the Statement of Financial Position have been capped by relevant netting agreements so as not to exceed the net amounts of financial assets and liabilities reported on the Statement of Financial Position, i.e. over-collateralisation, where it exists, is not reflected in the tables.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPERANNUATION

(a) Fund information

The Company has a legally enforceable obligation to contribute to the Citibank Australia Staff Superannuation Fund which comprises both defined benefit and defined contribution plans. The assets and liabilities of these plans are legally held in separate trustee-administered funds.

(b) Accounting policies

The Company immediately recognises all actuarial gains and losses arising from the defined benefit fund in other comprehensive income, impacting the retained earnings in equity. For further details refer to note 2(ab).

	2022	2021
	\$000	\$000
<i>(c) Reconciliation of the present value of the defined benefit obligation</i>		
Present value of defined benefit obligations at beginning of the year	1,662	971
Current service cost	81	48
Interest cost	46	17
Contributions by fund participants	2	1
Actuarial (gains) / losses	1,752	(293)
Benefits paid from Fund assets	(626)	-
Administrative expenses and taxes paid	(65)	(20)
Transfers between related entities	1,407	938
Present value of defined benefit obligations at end of the year	<u>4,259</u>	<u>1,662</u>
<i>(d) Reconciliation of the fair value of fund assets</i>		
Fair value of fund assets at the beginning of the year	1,719	555
Interest income on fund assets	47	10
Return on fund assets greater than discount rate	1,831	235
Employer contributions	31	-
Contributions by fund participants	2	1
Benefits paid	(626)	-
Administrative expenses and taxes paid	(65)	(20)
Transfers between related entities	1,464	938
Fair value of fund assets at the end of the year	<u>4,403</u>	<u>1,719</u>
<i>(e) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position</i>		
Present value of funded defined benefit obligations at the end of the year	(4,259)	(1,662)
Fair value of fund assets at end of year	<u>4,403</u>	<u>1,719</u>
Net liability recognised in the Statement of Financial Position at the end of the year	<u>144</u>	<u>57</u>
<i>(f) Expenses recognised in the Statement of Comprehensive Income</i>		
Current service cost	81	48
Net interest on defined benefit liability	(1)	7
Expense recognised in the statement of comprehensive income	<u>80</u>	<u>55</u>
<i>(g) Amounts recognised in other comprehensive income</i>		
Actuarial gains	(79)	(528)
<i>(h) Cumulative amounts recognised in other comprehensive income</i>		
Cumulative actuarial gains	(294)	(743)

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPERANNUATION (continued)

(i) Fund assets

The percentage invested in each asset class at the reporting date:

	2022	2021
	%	%
Equity instruments	64.0	69.1
Debt instruments	13.9	14.4
Real estate	4.2	4.7
Cash and cash equivalents	13.2	7.5
Other	4.7	4.3

(j) Fair value of fund assets

The fair value of fund assets includes no amounts relating to:

- any of the Company's own financial instruments
- any property occupied by, or other assets used by, the Company

(k) Principal actuarial assumptions at the reporting date

	2022	2021
	%	%
Discount rate (gross of tax)	5.25	2.90
Future salary increases p.a.	3.00	2.50

(l) Principal actuarial assumptions sensitivity analysis at reporting date

The sensitivity results determine their individual impact on the fund's end of year defined benefit obligation.

	One percentage point increase	One percentage point decrease
	\$000	\$000
Discount rate (gross of tax)	27	(64)
Future salary increases	(39)	31

(m) Historical information

	2022	2021
	\$000	\$000
Present value of defined benefit obligation	(4,259)	(1,662)
Fair value of fund assets	4,403	1,719
Deficit in fund	144	57
Experience adjustments (fund liabilities)	1,752	(293)
Experience adjustments (fund assets)	(1,831)	(235)

(n) Expected contributions for next financial year

Expected employer contributions	18	-
---------------------------------	----	---

(o) Surplus / deficit

The table below shows the surplus/(deficit) of the Fund measured as the difference between the net market value of the fund assets and accrued benefits, as determined in accordance with AASB 1056 *Superannuation Entities* as at the date of the latest actuarial review, being 1st January, 2018. These figures (rather than those disclosed above) are calculated for funding purposes and are used to determine the required level of the Company's contributions.

	1 January 2018
	\$Million
Net market value of assets	85.5
Accrued benefits	(78.0)
Surplus	7.5

(p) Contribution recommendations

Allowing for the Fund's financial position, and based on the recommendations of the Fund's Actuary, the Company contributed to the Fund at the following rates:

- The current Superannuation Guarantee employer contribution rate of 10.5% p.a. (prior to 1 July 2022 was 10.0% and prior to 1 May 2022 the Company was on a contribution holiday).

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31. SUPERANNUATION (continued)

(q) Funding method

The contribution rate recommendations described above were based on the Attained Age funding method.

The contribution rate determined under the attained age funding method has two components:

- (a) the normal cost, which is the Company contribution required to finance benefits accruing over the remaining period from the valuation date to retirement; plus
- (b) the adjustment cost, which takes into account any surplus or deficit of the value of accrued benefits at the valuation date relative to net assets, in accordance with the Funding Policy agreed between the Trustee and the Company.

(q) Funding method (continued)

To determine the normal cost, the method projects the portion of each member's benefit that will accrue in respect of service after the valuation date allowing for salary increases and the probability of leaving service due to withdrawal, death, disability or retirement. These benefit amounts are then discounted back to the valuation date using the valuation rate of interest. The discounted value of members' accrued benefits and the present value of future member contributions are subtracted from this value, with the resulting amount divided by the present value of 1% of salaries to be paid in respect of members in future, in order to determine the normal cost as a percentage of members' salaries.

Therefore, the normal cost represents what would be, if assumptions were borne out in practice, a stable cost (as a percentage of salaries) for all benefits that will accrue in respect of future service. In relation to the adjustment in respect of benefits accrued through service to the valuation date, the surplus or deficit of assets can be spread over a period decided by the Company and the Trustee.

(r) Economic assumptions

The economic assumptions used to make the contribution recommendations at the last actuarial valuation of the Fund as at 31st December, 2022 were:

- Salary increase rate 3.00% p.a. (2021: 2.50%)
- Discount rate (gross of tax) 5.25% p.a. (2021: 2.90%)

(s) Nature of Asset / Liability

The Citibank Australia Staff Superannuation Fund ("the Fund") does not impose a legal liability on the Company to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Company to make good any shortfall. The Trust Deed of the Fund states that, if the Fund winds up, the remaining assets are to be distributed by the Trustee of the Fund in an equitable manner as it sees fit.

The Company may at any time by notice to the Trustee terminate its contributions. The Company has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for the Company to pay any further contributions, irrespective of the financial condition of the Fund.

The Company may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund's Actuary.

32. SHARE BASED PAYMENTS

Stock award programme

The Company participates in Capital Accumulation Programme (CAP) and awards shares of Citigroup Inc.'s common stock in the form of restricted or deferred stock to participating employees. CAP awards generally vest in equal annual instalments over four years.

Information with respect to current year stock awards is as follows:

	<u>2022</u>	<u>2021</u>
Shares awarded in Citigroup Inc.	47,646	86,732
Market value per share	US\$51.42	US\$63.08
	AUD	AUD
	\$ Million	\$ Million
Expense arising from share and share option plans recognised in the Statement of Comprehensive Income	7.4	8.6
Balance of liability account on equity-settled transaction liability	(17.8)	(14.8)
Total intrinsic value of liability for vested benefits	-	-
Share based payment transactions recognised in retained earnings, net of tax	(0.3)	(0.4)

33. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors of Citigroup Global Markets Australia Pty Limited (the Company):

- (a) the financial statements and notes that are set out on pages 5 to 42 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31st December, 2022, and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 21st day of March, 2023
in Sydney, Australia.



Signed in accordance with a resolution of the Directors by:
Timothy Sedgwick
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the shareholders of Citigroup Global Markets Australia Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Citigroup Global Markets Australia Pty Limited for the financial year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Quang Dang

Partner

Sydney

21 March 2023



Independent Auditor's Report

To the shareholders of Citigroup Global Markets Australia Pty Limited

We have audited the **Financial Report** of Citigroup Global Markets Australia Pty Limited (the 'Company').

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2022;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the 'Code') that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other Information

Other Information is financial and non-financial information in Citigroup Global Markets Australia Pty Limited's Annual Financial Report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG
KPMG


Quang Dang

Partner

Sydney

21 March 2023

REVIEW OF OPERATIONS

Citigroup Inc. (Citi) operates its activities in Australia through several reporting entities. It does not consolidate its Australian operational activities into one set of financial statements.

Citigroup Global Markets Australia Pty Limited (CGMA) is the reporting entity for Citi's Australian Equities and Fixed Income businesses, as well as its Mergers & Acquisitions Advisory, and Capital Markets businesses. It does not include corporate banking for local and foreign multinationals, transaction services, some foreign exchange services, certain derivative activities, nor services provided offshore for Australian clients, such as global custody. The financial results for these businesses are reported within Citibank, N.A. (Sydney Branch).

In 2022, CGMA delivered a profit before tax of \$45.7 million (prior year \$103.0 million). Revenue net of interest and dividend expenses for 2022 was \$286.5 million and expenses were \$240.8 million.

Markets

Overall, the Markets business saw its net income and core metrics remain on target for 2022 despite global economic headwinds and ongoing volatility. Strong expense discipline covered for the short fall in revenue.

Compared to the prior year, Fixed Income revenue was down primarily in Markets Treasury and Spread Products, partly offset by Foreign Exchange's strong performance. Total Equities was flat year on year with Prime Finance's increase in revenue offset by Cash Equities reduced client activity. Australia Markets continues to be one of the key revenue contributors in Citi's Asia franchise.

Within G10 Rates sales first half '22 market share improved by 80bps to 7.5%. In Credit, first half 2022 market share is 11.1% down 61bps vs first half 2021 however Citi remained the leading global bank in Credit product.

In Equities, Citi's Domestic Equities rank fell to 9th from 6th between first half 2022 and first half 2021 with a 5.98% market share. We remain a strong 1st rank in International Equities with 11.76% market share, up by 76bps vs first half 2021. We are building our Prime Brokerage offering and our market share has improved 140bps to 4.2%.

Citi continued to connect Australian and New Zealand companies to UK and European investors through its virtual 19th Australian & New Zealand Investment Conference in London in March 2022. Locally, Citi's 14th Australian & New Zealand Investment Conference in Sydney was held as a hybrid in-person and virtual event and was attended by nearly 1,300 Australian, New Zealand, and global investor and corporate attendees. Key speakers included Lawrence Summers, Former US Secretary of the Treasury, Lord William Hague, Former British Conservative Politician 1989-2015, Lord Mervyn King, Former Governor of the Bank of England, Hon Julia Gillard, former Prime Minister of Australia and Luci Ellis, Assistant Governor of the RBA.

Banking Capital Markets and Advisory

CGMA's Banking Capital Markets and Advisory business executes for clients in the areas of M&A Advisory and Equity and Debt Capital Markets. CGMA's local, full-service capabilities in M&A advisory, capital markets access, and highly regarded execution capabilities, combined with its global presence and insights, distinguish its offering in Australia.

CGMA reaffirmed its position as one of the leading M&A advisors in Australia, advising on many of 2022's most significant and innovative transactions. As at year-end 2022, Citi was seventh in completed M&A league tables with over US\$44 billion in deal value completed (only US\$3 billion short of a top five ranking), with CGMA recording a record M&A revenue result in 2022. CGMA was defence advisor to AusNet Services in its A\$18 billion acquisition by a Brookfield led consortium. In a transaction worth US\$86 billion, CGMA was financial advisor to BHP on the unification of its corporate structure into a single parent company on the ASX and in a transaction worth AU\$9bn, CGMA advised Blackstone on its acquisition of Crown Resorts.

2022 has been a challenging year for Equity Capital Markets (ECM) with overall market wallet down 62% year-on-year, with CGMA 2022 ECM revenues down by a similar margin against 2021 result. Despite these difficult market conditions CGMA still managed to raise close to US\$0.7 billion in 2022. Key transactional highlights included leading and underwriting a NZ\$1.2bn right offer for Air New Zealand, the largest NZX follow-on of all time and leading and underwriting an AU\$650 million placement for Orica in support of its acquisition of Axis Mining Technology, a transaction for which Citi also was financial advisor.

CGMA's Debt Capital Markets (DCM) continued its market leading position in 2022 with a number one ranking across G3 currencies. CGMA is by a considerable margin the most active international DCM franchise in Australia & NZ, both from a volume perspective and by breadth of transactions led across the full product suite. Key transactional highlights included leading Export Finance Australia's US\$1.5 billion, 5 year fixed rates senior notes (first USD benchmark transaction from the Australian public sector, CSL's US\$4.0 billion Senior Notes (largest ever single-currency DCM transaction from an Australian / New Zealand Corporate), Fortescue's US\$1.5 billion Green Senior Notes (first ever green bond from a global mining company) and Westpac's US\$5.5 billion Senior Bond (the largest USD bond transaction undertaken by an Australian major bank historically).

In 2022, the Acquisition and Syndicated Finance business continued to support our key clients across acquisition finance, syndicated loans, and leveraged finance. Key transactions included underwriting a US\$2.0 billion acquisition facility for Sandfire resources, leading and underwriting a US\$2.1 billion debt financing to support Macquarie International Finance Limited's restructuring and leading and underwriting a NZ\$300 million inaugural sustainability-linked loan for the Todd Corporation.

Citi's Culture and Community Involvement

The Citi Foundation works to promote economic progress and improve the lives of people in low-income communities around the world.

With the support of the Citi Foundation, Citi is focused on preparing today's young people to be the most employable generation yet. In Australia, Citi Foundation invests in programs that give young people greater opportunity to pursue their career and economic ambitions. The programs in this focus area make up our Pathways to Progress initiative, including:

- AIME – "Creating Change for Indigenous Youth" – supports Year 11 and 12 Indigenous students to complete school and transition into a positive post school pathway of employment, university, or further training at the same rate or higher than their non-Indigenous peers;
- Brotherhood of St Laurence – "Creating Futures for Youth" - supports young people in the transition to employment in low socio-economic areas of Melbourne;
- Social Ventures Australia – "Rebuilding the Career Ladder" - develops inclusive and sustainable employer practices to increase opportunities for young people who would otherwise remain on the periphery of the labour market; and
- Northcott Society – The "Northcott Experience Tasker" - supports young people with disability to develop vocational skills through focused networking, training and mentoring opportunities.

Citi employees have been an essential element of the bank's community involvement and continue to invest their time and energies into all these initiatives.

Sponsorships are a powerful tool that can be used to build and reinforce Citi as a world-class brand. With any Citi sponsorship, we aim to activate it in support of our business and brand while driving deeper engagement with the communities in which we serve.

In 2022, Citi has continued sponsorships with Paralympics Australia and Team Citi Summer and Winter Paralympians, Madison de Rozario, Ben Tudhope, and Mel Perrine as well as golf ambassadors Cameron Smith and Hannah Green. Citi also launched a partnership with Bangarra Dance Theatre aiming to support their mission to create inspiring Aboriginal and Torres Strait Islander experiences that promote awareness and understanding of First Nations culture.

Finally, Citi renewed its partnership with Taronga Conservation Society Australia. Taronga is leading vital work that supports wildlife, habitats, and communities across the globe. Taronga embeds sustainability at the core of its activities, and like Citi, it is prioritising ecological sustainability for the protection of our natural environment. Taronga acts as a model that inspires and educates its guests to achieve genuine leadership in local and global conservation.

Mark Woodruff

Interim Citi Country Officer , Citi Australia and New Zealand