Citigroup
Global Markets Deutschland AG

Frankfurt am Main

Registration Document

7 April 2015

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1. Risk Factors

The material risk factors, which may affect Citigroup Global Markets Deutschland AG's (the "**Issuer**") ability to meet its obligations under the securities, are described as follows. Before deciding to purchase securities, investors should carefully read and consider the following specific risks and all of the other information contained in this Registration Document and in the relevant prospectus. The occurrence of these risks, either independently or simultaneously with other circumstances, may substantially impair the Issuer's business activities or have a material adverse effect on the Issuer's assets and liabilities, financial position and profits and losses or on the ability to trade the securities on the secondary market. The sequence in which the following risks are presented is not intended to be either an indication of the probability of their occurrence, their gravity or their importance. An investment in the securities offered by the Issuer may be subject to additional risks and issues, which are currently unknown to the Issuer or which the Issuer currently believes are immaterial, but which could likewise impair the Issuer's business and business prospects and have a material adverse effect on the Issuer's assets and liabilities, financial position and profits and losses. Apart from the risks associated with the securities as described in the relevant prospectus, investors may lose all or part of their investment if the price of their securities falls as a result of the occurrence of one or more of the risks described herein, or if the securities can no longer be traded on the secondary market.

1.1 Credit risks

The Issuer is exposed to the risk that third parties which owe the Issuer money, securities or other assets will not perform their obligations. These parties include the Issuer’s clients, trading counterparties, clearing agents, exchanges, clearing houses and other financial institutions. These parties may default on their obligations to the Issuer due to lack of liquidity, operational failure, bankruptcy or other reasons.

The Issuer differentiates these credit risks between settlement risks and pre-settlement exposures. The settlement risk is the risk incurred by the Issuer if the Issuer duly performs under a contract on settlement day, but the client does not perform. The pre-settlement exposure is the risk incurred by the Issuer if the client is unable to meet its obligations under a contract and the Issuer must therefore cover the position in the market.

1.2 Market price risks

The market risk is the risk of making a loss as a result of changes in market prices, in particular as a result of changes in foreign exchange rates, interest rates, equity and commodities prices as well as price fluctuations of goods and derivatives. Market risks result primarily because of adverse and unexpected developments in the economic environment, the competitive position, the interest rates, equity and exchange rates as well as in the prices of commodities. Changes in market price may, not least, result from the extinction of markets and accordingly no market price may any longer be determined for a product. Credit and country specific risks or internal events resulting from price movements of the underlying assets are also considered as market risk.

The most important types of trading businesses offered by the Issuer from a risk perspective are:

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedging transactions

- Issuance and trade in investment certificates in equity, commodity and foreign exchange as well as the corresponding hedging transactions
- Money market transactions with credit institutions
- Interest rate swaps & interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent)

Due to the complexity of the derivative trading activities, the Issuer is connected to the group-wide risk monitoring system. It can not be ruled out that risk monitoring system do not or not sufficiently identify risks and/or that respective measures for the compensation of risks are not sufficient. The Issuer may incur losses as a result of ineffective risk management processes and strategies.

Market risks may substantially impair the Issuer's business activities or have a material adverse effect on the Issuer's assets and liabilities, financial position and profits and losses.

1.3 Liquidity risks

Liquidity risk means the risk that, due to the current market situation and due to unexpected changes, the Issuer does not have enough liquidity to fulfil due obligations, and that no sufficient funding on appropriate conditions is available. A basic difference is made between the refinancing risk and the market liquidity risk. The market liquidity risk results primarily from the trading in warrants and certificates. The liquidity risk exists despite the existence of the control and profit (loss) transfer agreement (see also under 1.5).

1.4 Risk of disrupted securities clearing and settlement or disrupted exchange trading

Whether the investor buys or sells his securities, exercises the rights of the securities or receives payment of the redemption amount by the Issuer, all these events can only be affected by the Issuer with the support of third parties such as clearing banks, stock exchanges, the depositary bank of the investor or various institutions involved in financial transactions. If, for whatever reason, the ability of such participating parties to provide their services is impaired, then for the period of such disruption, the Issuer will not be able to accept an exercise or to deliver on any securities trades or to pay the disbursement amount upon final maturity. Possible reasons why the Issuer or any aforementioned required third parties are unable to settle securities trades include, for example, technical disruptions as a result of power failures, fires, bomb threats, sabotage, computer viruses, computer errors or attacks. The same applies in the event such disruptions occur at the security holder's custodian bank.

1.5 Issuer risk despite control and profit (loss) transfer agreement

The Issuer belongs to the Citigroup Inc. Group. The Issuer and its direct holding company, i.e. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG are parties of a control and profit (loss) transfer agreement, which is described more specifically below.

Under the agreement, the Issuer's management is subject to the direction of the direct holding company. Profits must be transferred to the direct holding company, and losses must be indemnified by the direct holding company.

Pursuant to §§ 301 *et seq.* of the German Stock Corporation Act ("**AktG**"), the profit transfer or loss indemnity obligation arises only after the annual financial statements for the relevant fiscal year have been approved. If, during the fiscal year, the Issuer faces liquidity shortenings, then - despite the control and profit (loss) transfer agreement - the Issuer may not be able to fulfill its obligations under the issued securities in a timely manner or at all.

Despite the control and profit (loss) transfer agreement, the Issuer may be unable to meet its obligations under the securities if the Issuer generates a net loss and the direct holding company, which is required to indemnify the loss, is unable or unwilling to meet its contractual obligations as a result of its own liquidity problems or over-indebtedness.

Investors should not rely on the continued existence of the control and profit (loss) transfer agreement in the future. Creditor protection is only granted under the framework of § 303 AktG.

1.6 Risks due to the Bank Recovery and Resolution Directive and the German Restructuring and Resolution Act

At European level, the EU institutions have enacted an EU Directive which defines a framework for the recovery and resolution of credit institutions (the so-called *Bank Recovery and Resolution Directive*, the "**BRRD**"). The BRRD has been implemented in the Federal Republic of Germany by the Restructuring and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – "**SAG**"). The SAG came into force on 1 January 2015 and grants significant rights for intervention of BaFin and other competent authorities in the event of a crisis of credit institutions, including the Issuer.

The SAG empowers the competent national resolution authority to apply resolution measures.

Subject to certain conditions and exceptions, the competent national resolution authority is empowered to permanently write down liabilities of the institutions, including those from Warrants and Certificates issued by the Issuer ("Bail-in"), or to convert them into equity instruments. Furthermore, the original debtor of the Warrants and Certificates (therefore the Issuer) can be replaced by another debtor (who can possess a fundamental other risk profile or another solvency than the Issuer) following resolutions of the national resolution authority with regard to the SAG. Any such regulatory measure can significantly affect the market value of the Warrants and Certificates as well as the volatility and might significantly increase the risk characteristics of the investor's investment decision. Investors in Warrants and Certificates may lose all or part of their invested capital in a pre-insolvency scenario (risk of total loss).

1.7 Brokering transactions for other Group companies and allocation of work among Citigroup companies

The vast majority of the Issuer's brokerage commission income is income from transfer pricing arrangements, which the Issuer receives for brokering transactions between the Issuer's customers and the various Citigroup companies. The Issuer's costs arising from the exchange of services with other individual Group companies is reimbursed through transfer pricing in accordance with existing contracts. Under this arrangement, the various costs and income are calculated and then allocated to the relevant service provider. Such income relates above all to brokerage commission income for transactions executed as part of equities trading, the underwriting business, corporate finance and the sale of structured products, corporate derivatives, foreign exchange management products and global relationship banking and on which the Issuer acted as an adviser in connection with the sales activities. The Issuer enjoys a close working relationship in all areas, above all with Citigroup Global Markets Limited, London, Citibank International Limited, London, and Citibank, N.A., London.

If a decision is taken within the Citigroup Group that the responsibilities in question should be redistributed among other Group companies, then the Issuer could lose a significant source of income.

1.8 Proprietary trading risks related to derivative securities issued by the Issuer

The most important trading risks in warrants trading and/or in the issuance of other derivative instruments by the Issuer are the settlement and/or replacement risks associated with the Issuer's counterparties (specifically the end customers' own banks or brokers) when clearing and settling trades in the issued securities, and the risks that remain after extensive hedging of open positions, which were entered into when the securities were issued.

In order to cover the open positions resulting from the issued securities, the Issuer will execute hedging transactions, which are linked to various risk variables in the risk model used by the Issuer, such as the relevant underlying, the volatility of the underlying, the term to expiry, the expected dividends or the interest rate. Particularly worthy of mention in this context are the risks arising from changes in the volatility of the underlying and so-called “gap risks" as a result of unexpected jumps in the price of the underlying, which can generate losses above all where hedging transactions are executed in order to cover sold knock-out securities. At best, the Issuer can to a large extent close out the open risk positions resulting from the issued securities, but it will be unable to close them out completely or enter into matching positions for all open positions.

If a counterparty of the Issuer defaults, and such counterparty also happens to be one of the Issuer's important sales partners, clearing and settling a large number of customer transactions with the Issuer each day, then there is a risk that hedging transactions, which are entered into by the Issuer before completing the relevant trade in order to close out a risk position arising from transactions in its own securities previously executed with such party, can not be closed or have to be closed and need to be unwinded afterwards because of the counterparty's default.

Likewise, the default of one of the Issuer's other counterparties with whom a large number of hedging transactions have been executed could also expose the Issuer to liquidity shortenings, if new or higher costs have to be incurred in order to replace the original contracts.

1.9 Risks in the credit business

The Issuer's credit portfolio consists primarily of international customers in the industrial and financial services sectors with an “investment grade”[1] credit rating. This business

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[1] “investment grade” is an indication for the credit risk of a debtor which allows a simple assessment of the solvency. For long-term ratings, i.e. for a period of time of more than 360 days the rating codes are, e.g. from S&P or Fitch, split into AAA (highest quality, lowest risk), AA, A, BBB, BB, B, CCC, CC, C to D (payment difficulties, delay). The ratings AAA to BBB (average good investment; in case of a deterioration of the global economy problems could be expected) are regarded as “investment grade”.

policy has enabled loan losses to be avoided in the past. The credit portfolio focuses mostly on a manageable number of borrowing entities. If any of the Issuer's key borrowers fail to meet their obligations, then risk provisioning could conceivably increase significantly or loan defaults could occur.

1.10 Pension fund risk

The Issuer currently has three pension funds. However, the risk-bearing capacity calculation lists only two funds, for which the Issuer bears an economic risk regarding the minimum return (yield) targets and a duty to make subsequent contributions.

1.11 Risks of interest rate changes

The Issuer assesses and controls the risk of interest rate changes. The Issuer is primarily exposed to the risk of changes in interest rates in mid to long-term in holdings in liquid securities if these were not originally covered by hedging transactions. The same applies to medium and long-term loans granted by the Issuer. A significant risk from interest rate changes could arise where interest rates are not monitored in a timely or sensitive manner, which may produce the concomitant danger that action to cover such interest rate exposure is not taken early enough.

1.12 Operating risk

The Issuer has outsourced many functions that are essential for duly managing and controlling its transactions and the risks resulting therefrom to other companies within and outside of the Citigroup Group. If the companies to which such functions have been outsourced fail to discharge their contractual obligations within the prescribed time or at all, then this could also impair the Issuer's ability to seasonably meet its own obligations under the issued securities.

1.13 Tax risks

The tax assessment notices served on the Issuer are typically provisional and made subject to an audit by the German tax authorities or a decision on specific issues by the relevant courts. This is a common procedure that allows tax authorities – in connection with a tax audit or following a general tax ruling by a competent tax court – to levy additional taxes years after a tax assessment was issued.

1.14 General business risks

The Issuer's general business risks include any and all risks that do not qualify as either a market risk, a counterparty risk or a liquidity risk, such as

- Settlement risk

  The risk that a business transaction is incorrectly processed or that a transaction is executed which is different from the intentions and expectations of the Issuer's management.

- Information risk

  The risk that information, which was generated, received, transmitted or stored within or outside the Issuer's place of business, can no longer be accessed. Furthermore, such information may be of poor quality, or have been wrongly handled or improperly obtained. The information risk also includes risks that are generated by systems and used for processing information.

- Reputation risk

  This represents the Issuer's risk that its relations with its customers could be harmed if its services are poor or transactions are incorrectly executed. This risk also includes the risk of entering into business relations with counterparties, whose business practices do not conform to the standards or business ethics of the Issuer.

- Personnel risk

  The Issuer has a high demand for qualified and specially trained professionals and managers. Personnel risk entails the risk of high staff turnover and the risk that the Issuer will be unable to retain a sufficient staff of qualified personnel, as well as the risk that the Issuer's employees may knowingly or negligently violate established regulations or the firm's business ethics standards.

- Legal and regulatory risks

  The Issuer views legal risks as any and all risks resulting from binding contracts and governing legislation. Regulatory risks result from the legal environment in which the Issuer does business.

- Risk of fraud

  These are both internal and external risks of fraud such as bribery, insider trading and theft of data.

2. PUBLICATION AND VALIDITY OF THE REGISTRATION DOCUMENT

This Registration Document will be published by being made available free of charge at the Issuer's business address (Citigroup Global Markets Deutschland AG, New Issues Structuring, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main) as of the day of its approval by the Federal Financial Supervisory Authority (*BaFin*).

This Registration Document shall be valid for twelve months after its approval; this Registration Document solely represents the status of the information contained in it at the time of its approval.

The Issuer may choose to produce a new registration document to replace this Registration Document whenever significant new information regarding the Issuer is available.

THIS REGISTRATION DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OR TO ENTER INTO ANY AGREEMENT AND CITIGROUP GLOBAL MARKETS DEUTSCHLAND AG IS NOT SOLICITING ANY ACTION BASED UPON IT. NOBODY HAS BEEN AUTHORISED BY CITIGROUP GLOBAL MARKETS DEUTSCHLAND AG TO RELEASE MORE INFORMATION OR CONFIRMATIONS THAN PROVIDED IN THIS REGISTRATION DOCUMENT. IF THOSE INFORMATION AND CONFIRMATIONS ARE STILL GIVEN, INVESTORS SHOULD NOT RELY ON THEM AS IF THEY WERE AUTHORISED BY CITIGROUP GLOBAL MARKETS DEUTSCHLAND AG.

3. PERSONS RESPONSIBLE

Citigroup Global Markets Deutschland AG, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main, accepts responsibility for the information contained in this Registration Document. The Issuer is entered in the commercial register of the Local Court of Frankfurt/Main under registration number HRB 88301.

The Issuer declares that to the best of its knowledge the information contained in this Registration Document is correct and no important facts have been omitted.

Where information in this Registration Document has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

4. STATUTORY AUDITORS

The statutory auditor of the Issuer and Citigroup Global Markets Management AG, as the Issuer's managing general partner until the registration of the merger on 23 June 2010, during the period covered by the historical financial statements in this Registration Document (business years 2014 and 2013) was and respectively is

KPMG AG
Wirtschaftsprüfungsgesellschaft
THE SQUAIRE
Am Flughafen
D-60549 Frankfurt am Main.

The Issuer's statutory auditor is a member of the chamber of auditors listed below:

Wirtschaftsprüferkammer
Körperschaft des öffentlichen Rechts
Rauchstraße 26 10787 Berlin

5. BUSINESS HISTORY, DEVELOPMENT AND REGISTERED OFFICE OF THE ISSUER

5.1 Business history of the Issuer

The Issuer is Citigroup Global Markets Deutschland AG, Frankfurt am Main.

The Issuer was founded in Germany and is entered in the commercial register of the Local Court of Frankfurt/Main under registration number HRB 88301.

Prior to the merger of Citigroup Global Markets Deutschland GmbH with Citibank AG & Co. KGaA on 12 September 2003, the Issuer conducted business under the name Citibank AG & Co. KGaA.

Citibank AG & Co. KGaA emerged from the organic restructuring of Citibank Aktiengesellschaft on 4 August 2003. Citibank Aktiengesellschaft had operated under this name since 7 October 1992 and, prior thereto, had conducted business as Citibank Invest

Kapitalanlagegesellschaft mbH. In connection with the reorganisation of the Citicorp companies in Germany, Citibank Invest Kapitalanlagegesellschaft took over the banking operations from the former Citibank AG, which was then renamed Citibank Beteiligungen Aktiengesellschaft.

Citigroup Global Markets Deutschland GmbH emerged on 4 August 2003 from an organic restructuring of Citigroup Global Markets Deutschland AG, which until 4 April 2003 had traded under the name of Salomon Brothers AG. Upon the merger of Citigroup Global Markets Deutschland GmbH into Citibank AG & Co. KGaA, any and all rights and duties of Citigroup Global Markets Deutschland GmbH passed automatically to Citibank AG & Co. KGaA as the universal legal successor (*Gesamtrechtsnachfolger)*. Citigroup Global Markets Deutschland GmbH was dissolved.

Spin-off agreement 2008

Prior to the reorganisation of the German part of Citigroup in 2008, which is described in more detail below, the sole shareholder of both the Issuer, formerly Citigroup Global Markets Deutschland AG & Co. KGaA, and the former general partner of the Issuer, Citigroup Global Markets Management AG, was Citicorp Deutschland GmbH, which in turn was a wholly-owned subsidiary of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG committed to transfer, inter alia, all of its shares in Citicorp Deutschland GmbH to a third party. However, the Issuer, formerly Citigroup Global Markets Deutschland AG & Co. KGaA, and its former general partner, Citigroup Global Markets Management AG, were explicitly excluded from this transfer.

In order to retain the Issuer, formerly Citigroup Global Markets Deutschland AG & Co. KGaA, and its former general partner, Citigroup Global Markets Management AG, within the German Citigroup Group a spin-off was carried out. Citicorp Deutschland GmbH agreed to transfer to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG with retroactive effect as of 2 January 2008 (i) all shares in the Issuer, (ii) all shares in the Issuer's former general partner, (iii) the control and profit (loss) transfer agreement between Citicorp Deutschland GmbH as controlling entity and the Issuer as controlled entity, (iv) the control profit (loss) transfer agreement between Citicorp Deutschland GmbH as controlling entity and the Issuer's former general partner as controlled entity, and (v) the silent partnership agreement between Citicorp Deutschland GmbH as silent partner and the Issuer. The spin-off agreement has become effective on 25 September 2008.

The sole managing general partner of the Issuer was Citigroup Global Markets Management AG, Frankfurt am Main. The sole limited shareholder was Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, which was also the sole shareholder of Citigroup Global Markets Management AG.

Change in legal form of the Issuer and merger of its former general partner 2010

On 17 September 2009, Citigroup Global Markets Deutschland AG & Co. KGaA has changed its fiscal year by resolution of the General Meeting. With effect from 1 December 2009 the fiscal year now begins on 1 December of each year and ends on 30 November of the following year. The reporting year 2009 therefore was a shortened fiscal year which began on January 1, 2009 and ended on 30 November 2009.

In order to simplify the current group structure in Germany and to achieve associated reductions in costs, the annual general meeting of the Issuer further resolved on 21 April 2010 to transform the Issuer into a public limited company (Aktiengesellschaft) under German law and henceforth operate under the name Citigroup Global Markets Deutschland AG. The change in legal form became effective on 10 June 2010 when it was filed in the commercial register.

In addition and following the change in legal form of Citigroup Global Markets Deutschland AG & Co. KGaA, Citigroup Global Markets Management AG was merged with the Issuer. Upon completion of the merger, which became effective on 23 June 2010 when it was filed in the commercial register, Citigroup Global Markets Management AG as the Issuer's former general partner ceased to exist. All rights and obligations passed automatically to the Issuer as its universal legal successor (Gesamtrechtsnachfolger).

5.2 Development of the Issuer

Significant events that may have a material impact on the assessment of the Issuer's solvency can not be determined at the moment. However, Citigroup Global Markets Deutschland AG is currently subject to an extra-ordinary audit on withholding taxes by the Frankfurt V-Hoechst tax authority for the years 2007 and 2008. In this context the tax authority has expressed its view that Citigroup Global Markets Deutschland AG may not have deducted and paid withholding taxes from dividends received in connection with transactions in shares around the dividend record date (so called cum-ex transactions) held by it in custody for its clients as required. Based on these findings the tax authority is currently of the view that Citigroup Global Markets Deutschland AG is liable for non deducted withholding taxes in the amount of more than Euro 706 million for the years 2007 and 2008. In case the tax authority's view should succeed further tax liability for the years 2009 to 2011 may arise which can not be estimated at the moment.

The main starting point for the liability claim of the tax authorities is the question if Citigroup Global Markets Deutschland AG is to be qualified as a German bank executing the trade (*die den Verkaufsauftrag ausführende Stelle*) in the respective years. Furthermore, the method applied to identify the amount of the liability claim is debatable as well as the question if Citigroup Global Markets Deutschland AG can be held liable as principal debtor.

Citigroup Global Markets Deutschland AG has obtained legal advice from a reputable tax consultant office as well as from a reputable accounting firm. Based thereon, the management of Citigroup Global Markets Deutschland AG is of the view that the likelihood to win any legal proceedings in this matter exceeds 50 per. cent. On this basis, Citigroup Global Markets Deutschland AG's management has decided to put up a reserve only for expected legal advice and litigation expenses, if any, and has decided that 2 million Euro is an adequate figure in this respect.

Furthermore, it should be noted that Citigroup is currently evaluating basic measures to optimize its organizational structure.

5.3 Registered office of the Issuer

The Issuer has its registered office in Frankfurt am Main and has a branch office in London.

The Issuer is a public limited company (*Aktiengesellschaft*), which is organised under the laws of Germany.

The Issuer's address is:

Citigroup Global Markets Deutschland AG
Frankfurter Welle
Reuterweg 16
D-60323 Frankfurt am Main.

Telephone: +49 (0) 69-1366-0

6. BUSINESS OVERVIEW OF THE ISSUER

6.1 Principal Activities

6.1.1 Overview

The Issuer is a corporate and investment bank, offering companies, governments and institutional investors comprehensive financial strategies in investment banking, fixed income, foreign exchange, equities and derivatives and transaction banking. In addition, it is also a major issuer of warrants and certificates, the final acquirers of which are mainly private customers. Furthermore, the Issuer's business line has also included Citi Private Bank – Family Office Coverage Germany and Covered Bond Research.

6.1.2 Equity, Warrants and Certificates, Equity Derivative Sales

(a) Warrants and Certificates:

The Issuer issues warrants, knock-out warrants (turbo warrants) and derivative certificates (investment products). The products are primarily distributed in Germany and beyond that in France, Portugal, Finland, the Netherlands and other countries, as the case may be.

The securities reference primarily shares, share indexes, exchange rates, futures, commodities and structured underlyings. The publicly offered securities are listed on exchanges and are sold almost exclusively through its own dealer sales either continuously over stock exchanges or off-exchange (particularly warrants) or - in the case of certain certificates subject to subscription periods - are offered through its own dealer sales or through distribution partners. In the case of warrants, OTC sales concluded with institutes that are linked to the electronic trading system CATS actually exceed sales generated on stock exchanges. The main part of the Issuer's equities business are the trading transactions, especially exchange-traded futures on shares and share indexes, which the Issuer executes in order to hedge the warrants and certificates it has sold. The Issuer's London branch executes the hedging transactions for securities referenced to shares and share indexes.

(b) Equity Sales and Sales-Trading:

The Equity Sales Department is divided into the European Equity Sales Desk (for advising and consulting clients on the purchase and sale of European equities); the Program Trading Desk (for marketing portfolio products); the Corporate Equity Derivatives (for risk management advice on equity-linked transactions); the European Sales Trading Desk (to serve as an interface when advising on customer order placements, order taking and order forwarding to the other Citigroup Trading Desks) and the US Equity Sales Desk (for advising institutional investors on the purchase and sale of US and Canadian stocks). The Equity Sales Trading Department forwards customer orders for execution to the relevant trading areas of Citigroup Global Markets Limited, London and/or Citigroup Global Markets Inc., New York.

(c) Equity Derivative Sales

The Equity Derivative Sales Department offers investments in equity and index-linked derivatives to institutional clients. Such derivatives generally include options, futures, swaps or delta-1 certificates.

6.1.3 Capital Markets and Fixed Income Sales

(a) Debt Capital Markets:

In the Debt Capital Markets, the Issuer solicits and structures new offerings of interest bearing securities or transactions based thereon for its customers in the private (companies and financial institutions) and public sector (federal government, state government) in Germany and Austria and assists its customers in issuing and placing such securities (debt capital markets).

Depending on the customer's needs or the market conditions, the individual transactions may be executed in any currency. Transactions may be structured in the form of securities, loans or notes and may be marketed either alone or through a consortium.

(b) Fixed Income Sales:

The Issuer also supports its customers in hedging existing financial risks or in solving individual financial issues by brokering structured interest and credit derivatives, which serve to hedge interest and foreign exchange risks in virtually all currencies (Fixed Income Sales). The services for structured products, for fixed income products and of all types and asset-backed securities products, for highly liquid fixed income products and for fixed income and currency products on new markets (Emerging Markets) are performed by Fixed Income Sales.

The transactions of Debt Capital Markets and Fixed Income Sales are brokered by the Issuer's employees to Citigroup Global Markets Limited, London and to other group companies.

(c) Foreign Exchange Management:

The Issuer brokers currency options, currency derivatives and currency spot and forward transactions for its customers through its employees to the London office of Citibank N.A, Citibank International plc, London, and Citigroup Global Markets Limited, London.

6.1.4 Corporate and Investment Banking ("CIB")

Via its support team, CIB delivers Citigroup's global financial services to German corporates, financial institutions and public sector clients and their subsidiaries around the world. In addition, such financial services are delivered to German subsidiaries of foreign group-clients via a separated team.

The Issuer brokers the entire range of equity capital-raising products through publicly listed companies, including the underwriting, placement and settlement and clearing of capital increases with pre-emptive rights, initial public offerings in connection with the placement of a capital increase, and equity-linked instruments such as convertible bonds, warrant-linked bonds or warrants for raising new equity capital. With the exception of capital increases, the Issuer brokers the aforementioned instruments also for purposes of placing existing share parcels. This relates primarily to the block placement and/or accelerated block placement of share parcels held by existing shareholders, equity-linked instruments and initial public offerings. The trades are brokered to other companies within the Citigroup Inc. Group.

The Issuer also offers advisory services on national and cross-border mergers and acquisitions for purchasers or sellers of companies or corporate holdings.

CIB supports clients in their financing needs, liquidity management solutions, risk management and ensures that the clients' needs and those of its subsidiaries are met by the Issuers global network. In that function CIB is working very closely around the globe with the financial institutions belonging to Citigroup.

The Issuer's credit portfolio consists primarily of international customers who are generally in the industrial or financial services sectors as well as clients in the public sector.

In connection with the global working relationships within Citigroup, a significant portion of the services (above all, trading) is brokered to foreign financial institutions within the Group on behalf of the customers, whereby the costs incurred by the Issuer as well as the income generated by the partner companies are allocated via transfer pricing arrangements.

6.1.5 Citi Private Bank – Family Office Coverage Germany

The Issuer supports Citigroup's Private Banking business in respect of assistance to family offices in Germany (so-called Family Offices) and asset management companies and foundations. In this area the Issuer only arranges business activities and marketing activities for other group entities and business lines within Citigroup.

6.1.6 Covered Bond and Sub-Sovereign, Supras and Agency ("SSA") Research

"Covered Bond Research and SSA" is a further division of the Issuer. As part of the Interest Strategy Team based in London, the Covered Bond and SSA Research Team concentrates on primary and secondary market developments and regulatory changes within the various segments of the covered bond market and the SSA markets denominated in Euro.

6.1.7 Citi Securities Services and Treasury and Trade Services

In these two business units the Issuer serves corporate clients, financial institutions and the public sector in relation to transaction banking products.

Treasury and Trade Services offers solutions in the areas of global payment transactions, liquidity and treasury management and trade finance. This business unit includes the management of accounts in Citigroup's branches and companies globally.

The business unit Securities Services offers services in the broad area of securities custody and settlement in Domestic Custody & Clearing.. Clients, primarily financial institutions, benefit from Citi´s securities services which also support the Issuer's proprietary trading in securities (in particular warrants and related hedging transactions in shares).

Furthermore, services for investors like asset managers, wealth managers, insurers and pension funds are offered which are related to the administration of all asset classes and which support clients in the value chain preliminarily in relation to downstream areas of trading and portfolio management.

6.1.8 Treasury

The Issuer's treasury business is divided into G10 Markets Treasury and Corporate Treasury. G10 Markets Treasury is responsible for the daily management of assets, liabilities, liquidity and the Issuer's interest rate risks.

Corporate Treasury is responsible for treasury activities not linked to risk, such as the management of assets and liabilities (asset liability management), liquidity management (definition and monitoring of limits and triggers) and regulatory matters.

Furthermore, Treasury regularly trades loans, deposits and currency swaps for selected corporate customers.

6.1.9 Special significance of brokering transactions for other Citigroup companies

The vast majority of the Issuer's brokerage commission income is income from transfer pricing arrangements, which the Issuer receives for brokering transactions between the Issuer's customers and the various Citigroup companies. The Issuer's costs arising from the exchange of services with other individual Group companies is reimbursed through transfer pricing in accordance with existing contracts. Under this arrangement, the various costs and income are calculated and then allocated to the relevant service provider. Such income relates above all to brokerage commission income for transactions executed as part of equities trading, the underwriting business, corporate finance and the sale of structured products, corporate derivatives, foreign exchange management products and global relationship banking and on which the Issuer acted as an adviser in connection with the sales activities. The Issuer enjoys a close working relationship in all areas, above all with Citigroup Global Markets Limited, London, Citibank International Limited, London, and Citibank, N.A., London.

The income generated by brokering transactions entails no risks of credit default and market price.

6.1.10 Derogation from generally described business procedures

In general, the Issuer is authorised to handle any and all transactions that are permissible under the Issuer's articles of association and/or banking licence. Where this Registration Document describes the procedures by which transactions relating to certain business areas are brokered to other enterprises within the Citigroup Group, such procedures may be deviated from at any time, particularly in individual cases.

6.2 Principal markets

The principal market on which the Issuer conducts business is Germany.

7. ORGANISATIONAL STRUCTURE OF THE ISSUER

The Issuer is a member of the German subgroup of Citigroup. As a public limited company, it is managed by the executive board. The Issuer is 100% owned by the German holding company, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, a limited partnership with registered offices in Frankfurt/Main.

Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is also a silent partner of the Issuer, having a silent equity interest ("Stille Einlage") totalling EUR 122,710,051.49 as of 30 November 2014.

The general partner of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is Citigroup Global Markets Finance LLC (USA). The sole limited partner is Citi Overseas Investment Bahamas Inc.

All shares of Citigroup Global Markets Finance LLC are held by Citi Overseas Investment Bahamas Inc., the sole shareholder of which is Citibank Overseas Investment Corporation (USA). This company is in turn 100% owned by Citibank, N.A. (USA). Citibank, N.A. (USA) is a 100% owned subsidiary of Citicorp (USA), which in turn is a 100% owned subsidiary of Citigroup, Inc. (USA).

In addition to the integration of the Issuer into the Citigroup Inc. Group, a control and profit (loss) transfer agreement has been executed by the direct parent company and the Issuer.

According to the aforementioned agreement, the Issuer has surrendered the managerial control of its respective enterprises to the direct parent company. Accordingly, the direct parent company is authorised to issue directives and instructions to the Issuer.

Moreover, the Issuer is obligated under the agreement to transfer its entire profit to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG. As consideration for the transfer, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is obligated pursuant to § 302 of the German Stock Corporation Act ("**AktG**") to indemnify any annual net loss, which the Issuer incurs during the term of the agreement.

Furthermore, it should be noted that Citigroup is currently evaluating basic measures to optimize its organizational structure.

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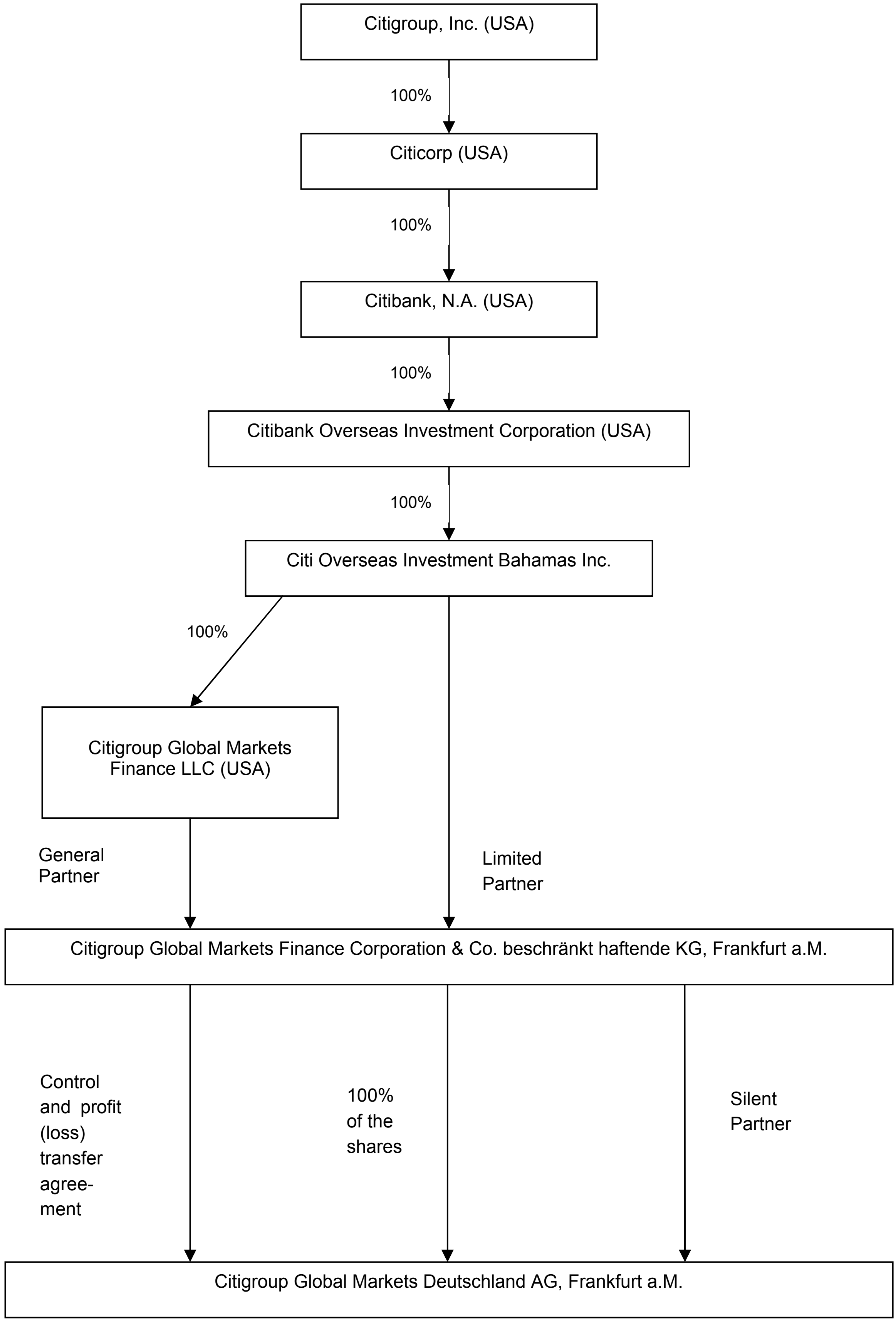
Schedule: Affiliation of the Issuer with the German subgroup of Citigroup



8. TREND INFORMATION

The Issuer hereby declares that there have been no material adverse changes in the prospects of the Issuer since the date of its last audited financial statements, i.e. 30 November 2014.

No significant events have occurred since the date of the last financial statements.

8.1 Outlook for the overall economy

With respect to the development of the global economy, the Issuer expects a modest increase in the growth rate in 2015, from 2.7% to 3.2%. The expectations for a weak global economy are based on declining or very low growth rates both in developing countries and in industrial countries. The Issuer expects a 2.2% growth rate for industrial countries after those countries reported a 1.7% growth rate in the prior year. Overall, the Issuer expects that globally there will continue to be significant differences between the individual regions.

In the United States, it remains to be seen how the Federal Reserve System ("**FED**") will respond to the current challenges and how sustainable the economy's current favorable growth momentum will be. Based on the current information available, the Issuer anticipates no further increase in interest rates through September of 2015, but this forecast is fraught with great uncertainty in as much as a prolonged strain on the US economy, caused perhaps by continuing weakness in global economic growth, could postpone the interest rate rise.

In the Eurozone, a slight 1.1% increase in the growth rate is expected in 2015. The recovery of economic output can be attributed above all to the weak euro. Nevertheless, given the muted global expansion, global trade growth will probably be rather modest.

Another major challenge will be the drop in oil prices. The impact on the Issuer's clients as a result of this development must be monitored and analyzed on a case-by-case basis. Although the ECB emphasized the long-term favorable effects of a price drop (above all for employment), the Issuer sees big problems, above all in the impact this will have on inflation. For the second year in a row, inflation is expected to be under 1% in 2015, following a 0.5% increase in 2014. In view of the current decline in inflation and in economic growth, ECB could be expected to respond by launching a quantitative easing program. Should the ECB not respond quickly, then there is a greater likelihood that the ECB will not achieve its goal of price stability and that its related credibility will suffer. The Issuer expects that the ECB will enlarge and change its asset purchase program in early 2015 in order to try (sooner or later) to bring the inflation rate back to the important 2% mark. The impact of low inflation on the Issuer as a consequence of the low global economic growth and as a cause of the decline in commodity prices could extend to the Issuer only indirectly if its customers suspend their global investment activities. For the industrial countries, the inflation rate in 2014 should remain low at 1.4% and should increase slightly in the years thereafter. Likewise in the emerging countries, the trend of the 4.4% inflation rate should remain the same in 2015 and 2016.

With regards to Germany, the Issuer is expecting growth rates of 1.2% in 2015 and 1.7% in 2016. Despite recent negative news, which forced the Issuer to adjust its expectations, the Issuer also continues to assume that there will be an increase in economic output attributable mostly to domestic demand. Germany should also have an inflation rate which will hover below 2%.

Asia is generally viewed as stable and will certainly continue to be attractive to investors. Nevertheless, it remains to be seen how China will address the challenges now looming, above all the decline in economic growth.

8.2 Outlook for the banking industry

Although the banking business initially proved to be rather robust in Europe in 2014, the cloudy economic outlook, triggered not least by global political tensions, create some worry that the economic momentum will wane.

The stress tests conducted by the ECB in October 2014 revealed a number of capital gaps at the European banks, although attention will remain focused on lowering the gearing ratio and improving the quality of the assets. In view of the ever more complex regulatory requirements, the earnings generated by European banks will diminish until the real economy can slowly recover. The different rules on capital, liquidity, bank structure and implementation timetables also help create a disparate competitive platform.

In the United States, bank profitability rose again, although in this case, the needs for risk provisioning in the lending business will probably also climb. Expenses for legal disputes or penalty payments continue to represent a major risk which financial institutions will find hard to calculate on a global scale.

In the coming year, business investment activities and therefore demand for credit in Germany should gradually rise. Nevertheless, greater use of internal and alternative external sources of financing are an impediment to a significant recovery in the lending business. In addition, the Issuer expects competition to again intensify on the national banking market for international corporate clients and for German mid-size companies.

Overall, however, the potential for earnings growth within the banking sector must be viewed cautiously in light of the continued low or negative interest rate levels, client reluctance and apprehension, and market volatility which is expected to continue. Issues such as capital, regulation and restructuring will largely dominate the banking industry again in 2015 and will leave their marks on the cost side. The focus should remain on general cost reduction and on reviewing the relevant business models. Increased regulatory requirements related to equity capital and liquidity will continue to preoccupy the entire finance industry and will no doubt significantly increase operating costs.

8.3 General statement about anticipated performance

Overall for fiscal year 2015, the Issuer expects a result that is significantly better than the level achieved in 2014 after adjusting for non-recurring effects. In this respect, the budgeted income from the change in the costs and activity allocation model for Germany will partially offset the loss of income from the (1) placements made with the German *Bundesbank* in the Treasury Division, and (2) the sales proceeds earned on the sale of the CATs-OS systems to the Stuttgart Stock Exchange. With respect to the operating efficiency, the Issuer therefore anticipates an unchanged level (excluding the non-recurring effects) like in previous years. The Issuer is currently assuming that there will be no restructuring needs in 2015, which means that no provisions were set aside for such measures. On the basis of the current planning, the Issuer is assuming that the risk-bearing capacity in fiscal year 2015 will be met.

9. PROFIT FORECASTS OR ESTIMATES

This document does not contain any profit forecasts or profit estimates.

10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The Issuer is a public limited company (Aktiengesellschaft), which is organized under the laws of Germany. The sole shareholder is Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG.

The supervisory board of the Issuer consists of the following members:

- Hans W. Reich, Kronberg, Director, Chairman, having his business address at Reuterweg 16, 60323 Frankfurt am Main;
- Bradley Gans, London, Director, Deputy Chairman, having his business address at Citigroup Global Markets Ltd., Canary Warf, Canada Square, London, United Kingdom;
- Tim Färber, Kelsterbach, employee representative, having his business address at Reuterweg 16, 60323 Frankfurt am Main.

The executive board of the Issuer consists of the following members:

- Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Director, Legal Department, Secretary Office of the Board, Regulatory Issues and Asset Finance (Gamma);
- Stefan Wintels (Chief Executive Officer (CEO)), Frankfurt am Main, Director, Strategy, Business Planning, Client Relationship (Bank), Public Relations, Investment Banking and Human Resources;
- Christian Spieler, Frankfurt am Main, Director, Share and Warrant Business, Alternative Investments, Fixed Income Products, Bond Issues and Risk Treasury, Private Banking and Securities Services;
- Heinz Peter Srocke, Hanau, Director, Corporate Treasury/Liquidity Management, Risk Management / Credit Processing, Accounting, Tax Department, Independent Research Covered Bonds (*Pfandbriefe*);
- Samuel Riley, Budapest, Director, Internal Business/Banking Organization, Clearing and Settlement (Securites/Payments), IT, Operational Risk & Controlling and Asset Finance Operations);
- Stefan Hafke, Kelkheim, Director, Corporate Banking and Treasury Trade Solutions;

all having their business address at Reuterweg 16, 60323 Frankfurt am Main.

The following persons hold the following jobs unrelated to the Issuer, which are significant with respect to the Issuer:

- None.

11. CONFLICTS OF INTEREST

There are no potential conflicts of interest between the private interests or other obligations of the persons named in subsection 10 above and the obligations which those persons owe to the Issuer.

12. MAJOR SHAREHOLDERS

The sole shareholder of the Issuer is Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG.

Regarding the Issuer's integration into the Citigroup Inc. Group and the inter-company agreements executed with the Issuer, see the discussion in subsection 7.

13. ARRANGEMENTS THE EXECUTION OF WHICH MAY AT A SUBSEQUENT DATE RESULT IN A CHANGE IN CONTROL OF THE ISSUER.

The Issuer has no knowledge of any arrangements the operation of which may at a subsequent date result in a change in control of the Issuer.

Furthermore, it should be noted that Citigroup is currently evaluating basic measures to optimize its organizational structure.

14. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

14.1 Financial statements

The Issuer's annual financial statements and management report for fiscal year 2014 and 2013 respectively are included in this Registration Document as a part of the annual report for fiscal year 2014 (in Annex I on pages F-1 through F-68 of this Registration Document) and 2013 respectively (in Annex II on pages G-1 through G-81 of this Registration Document). The remaining pages of the annual report for fiscal year 2014 and 2013 respectively do not contain any relevant information about the Issuer.

14.2 Auditing of historical annual financial information

The annual financial statements including the bookkeeping system and the management report of the Issuer for the business years 2014 and 2013, which are included in this document, were audited by the Issuer's statutory auditor and certified with an unqualified auditor's opinion.

14.3 Significant change in the financial condition or trading position of the Issuer

There has been no material change in the Issuer's financial condition or trading position since the end of the fiscal year completed on 30 November 2014 for which audited financial information was published.

15. LEGAL AND ARBITRATION PROCEEDINGS

In January 2014 Citigroup Global Markets Deutschland AG was sued by Mr Utz Claassen. With this claim Mr Claassen requests the Regional Court of Frankfurt to declare that Citigroup Global Markets Deutschland AG is obliged to indemnify Mr Claassen for all damages that occurred in connection with his engagement as CEO of Solar Millenium AG in 2009/2010. The amount of damages was not specified in the statement of claim. The value of the claim for the declaratory action has been specified by the claimant with four million euro. The Issuer has made motions to dismiss the complaint. A date for the court decision has not been scheduled yet.

16. MATERIAL CONTRACTS

With the exception of the contracts listed in subsection 7 (Organisational Structure of the Issuer) and the there described group integration, the Issuer has not executed any contracts outside the ordinary course of business, which could result in a Citigroup Inc. Group company incurring an obligation or receiving a right, which would be deemed material to the Issuer's ability to meet its obligations to security holders in respect of the securities being issued.

17. STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTERESTS

None.

18. DOCUMENTS ON DISPLAY

During the valid term of this Registration Document, copies of the following documents are available for inspection:

(a) the Issuer's articles of association;

(b) the audited annual financial statements of the Issuer for the fiscal years 2014 and 2013.

A hard copy of the documents (a) and (b) may be inspected during normal office hours at the Issuer's place of business located at the following address: Legal Department, Reuterweg 16, 60323 Frankfurt am Main.

ANNEX I: MANAGEMENT REPORT FOR FISCAL YEAR 2014

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Citigroup Global Markets Deutschland AG

Management Report for Fiscal Year 2014

1 Background Information about the Bank

Background Information about the Bank

1.1 Structure and organization

Citigroup Global Markets Deutschland AG, Frankfurt a. M. (hereinafter referred to as “CGMD” or “Bank”), is one of the leading foreign investment banks in Germany. CGMD benefits above all from its integration in the global network of Citigroup (“Citi”), which has a presence in over 100 countries. The Bank organizes its business activities in three divisions: Corporate & Investment Banking (“CIB”), Treasury & Trade Solutions (“TTS”) and Markets & Securities Services (“MSS”). The products and services offered by the Bank include not only syndicated and bilateral loans, but also advice on mergers and acquisitions and other corporate finance transactions, payment transactions and liquidity management, as well as credit card and trade financing. In the capital markets business, CGMD is actively involved in the equities business, in selling warrants and certificates, in the sale of bonds, interest rate derivatives and credit derivatives, and in foreign exchange management. CGMD also offers structured financing solutions in this segment.

CGMD has all required staff departments of a fully licensed bank, namely Internal Audit, Financial Control, Compliance and Anti-Money Laundering, Risk Management, Legal, Data Security, Tax, Treasury, Operations & Technology (“O&T”), Corporate Communications and Human Resources. Sub-areas [*Teilbereiche*] are primarily outsourced to four service centers in the EMEA region (Europe, Middle East and Africa).

In Germany, CGMD operates its business from Frankfurt and also maintains a branch in London.

Overall, CGMD advises approximately 120 core clients, which include virtually all the corporate groups listed in the DAX as well as a number of companies listed on the M-DAX. CGMD’s customer base also includes the most important international industrial, insurance and banking groups as well as the German Government and the German Federal States together with miscellaneous public institutions in Germany. In this regard, CGMD offers its own services and brokers services and solutions to affiliated Citi enterprises in over 80 countries. In its function as a strategic hub, the Bank also supports or advises clients from other markets such as Austria, Switzerland and a number of Scandinavian countries, and does so on a project-related basis, such as on M&A transactions. Moreover, CGMD supports in Germany numerous subsidiaries of internationally operating corporate groups, which maintain a business relationship with other affiliated Citi companies in their respective home countries.

Based on the Bank’s global strategy – under which clients, if possible, are advised from the country in which they are headquartered - a significant portion of CGMD’s income is generated from internal activity allocation. The brokered transactions are recognized by other legal entities of Citigroup and are therefore not directly reflected in the Bank’s accounting. The services provided here by CGMD are compensated through a transfer pricing model. This compensation is calculated primarily on the basis of CGMD’s contribution of value to the group’s bottom line (“Expected Value” based) or on the basis of its incurred expenses (“Cost plus”).

1.2 Goals and strategies

With many existing clients, CGMD already holds an important position within its group of competitors. The most important task for the upcoming fiscal year will be building upon this strategic positioning by strengthening the Bank’s market position with institutional clients in Germany, and furthermore in Austria, Switzerland and a number of Scandinavian countries.

In 2015, the Bank is seeking a market position as one of the top 3 investment banks in Germany in the episodic business. Furthermore, it intends to expand its “thought leader” role in terms of corporate and strategic investment issues and developments. Internally, emphasis should be placed increasingly on optimizing the standard customer service, whereby the client focus should be carried out through, among other things, closer coordination and integration in customer planning and support.

The Bank’s operating efficiency ratio[1] should be maintained in 2015 for CGMD at last year’s level without factoring in this year’s one-time effects.

[1] See section 1.4 (“Controlling”) for an explanation of the operating efficiency.

1.2.1 Markets & Securities Services

In 2015, the MSS Division plans to build upon its existing strengths and to offer services to its customers in an even better and more efficient form. The continued growth of the capital markets business should be carried out primarily by further expanding business relationships in Institutional Sales (Equities as well as Fixed Income) and Foreign Exchange and by expanding the business of hedging commodity risks. Furthermore, the Bank's high level of expertise in cross-border transactions and in listings on foreign stock exchanges should be placed at our clients' disposal. The warrants business of CGMD, one of the leading suppliers in the German market, should continue to defend its market position in 2015.

1.2.2 Corporate & Investment Banking

Corporate & Investment Banking will further expand its position in the market as one of the first go-to partners for addressing strategic corporate finance issues such as acquisitions and capital market financing, etc. as well as for the operational management of financial flows. Distinguishing ourselves from other market participants, we offer our institutional clients a broad spectrum of advisory and financial services, whereby Citigroup's unique global presence affords these clients a distinct advantage. In 2015, the goal is to capture additional clients and market segments on a selective basis.

1.2.3 Treasury & Trade Solutions

A goal of the TTS Division in the upcoming fiscal year will be to continue to preserve its market share. In this regard, the focus will be on efficiency solutions in liquidity management and in expanding the opportunities for finance solutions Supply Chain and Distribution Finance.

1.3 Background of the Bank

1.3.1 Corporate Governance

In the recently completed fiscal year, CGMD achieved many important milestones in improving its risk management and compliance. In 2015, the focus will remain on strengthening corporate governance in Germany. Furthermore, the efficient design and structure of the processes will be reviewed in 2015.

1.4 Control[2]

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

Key benchmarks with regard to CGMD control are based on US-GAAP accounting. Part of the control involves a regular analysis of the risk-bearing capacity and the calculation and management of so-called "operating efficiency"[3] for the bank as a whole.

A range of 50 – 60% is set as the control target value for the operating efficiency within the Citi group.

The risk-bearing capacity is calculated according to the principles of the Minimum Requirements for Risk Management (MaRisk) and is a comparison between the quantitative risks and risk coverage potential. The risk-bearing capacity is deemed to exist if the significant risks of CGMD are continually covered by the risk coverage potential upon factoring in risk concentrations. With regard to risk limits, the transgression (breach) of which is linked to escalation procedures, efforts are made to ensure that during the course of the year, the risk-bearing capacity corresponds to the business development. Opposing developments can thereby be anticipated early.

[2] Detailed explanations about the Bank's remuneration system are set forth in a separately published remuneration report.
[3] Defined as expenses/income based on EBT pursuant to US GAAP.

The Bank prepares a strategic three-year plan, which the Executive Board discusses on a quarterly basis or even more frequently if it is required. Where it becomes necessary, modifications are worked in.

Just like the operating efficiency and the risk-bearing capacity, human resource planning is a component of the Bank's strategic planning and is tied to the developments in the banking industry and the financial markets. If key changes take place due to market developments, the human resource planning will be adjusted is a timely manner and in accordance with employee social conditions as they exist.

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

- setting goals and reviewing performance
- differentiating performance
- fostering a diverse pool of employees and equal opportunity

The strategic and operational decisions for CGMD are made by CGMD's Executive Board and controlled by the Supervisory Board. The Executive Board meets monthly, and the Supervisory Board meets quarterly. These two bodies also meet when circumstances warrant it. Moreover and in accordance with the internal and external policies and requirements of corporate governance, the Bank has set up various committees that monitor, access and approve all procedures and control processes. For the meetings of the Executive Board, the Supervisory Board and the other working groups, the members of those bodies are given reports about all significant activities, initiatives and risks and about the status of all areas of the business and staffing. The individual Executive Board members sit on various committees (for example, the Country Coordinating Committee, Audit Committee, New Product Committee, Governance Committee).

The Executive Board will receive from the Risk Management Department regular reports (on a daily, monthly and quarterly basis) regarding the status of significant risks of CGMD as well as daily reports from the Financial Control Department about the number of existing or newly approved large-exposure credits, drawdowns, the status of any security or collateral, legal lending limits and their utilization and any credit risk on a commitment-by-commitment basis.

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

The New Product Committee reviews all of the Bank's new products and the risks related thereto and approves them, if appropriate.

In the opinion of the Executive Board, the internal control system of CGMD satisfies the requirements of orderly management.

1.5 Important business policy events

1.5.1 Change on the Executive Board

In fiscal year 2013, the Supervisory Board approved changes on the Executive Board. Dr. Nikolaus Närger resigned as an Executive Board member effective December 31, 2013. Stefan Wintels was appointed to serve as Executive Board Chairman as of January 1, 2014. Due to and in connection with these changes, the Executive Board decided to modify the allocation of responsibilities as follows effective January 1, 2014: the responsibilities for the segments Strategy, Business Planning, CIB, TTS and Securities Services, Client Relations (for the entire Bank), Human Resources and Public Relations are assumed by Stefan Wintels. In July 2014, Securities Services was integrated into the Markets Division, and the corresponding responsibilities for that division were assumed by Christian Spieler at the Executive Board level. In the last quarter of the fiscal year, Stefan Hafke was appointed to the CGMD Executive Board effective October 1, 2014, and was assigned the responsibilities of Corporate Banking and

Treasury & Trade Solutions. These areas of responsibility were thus taken over from Stefan Wintels. Accordingly, the number of members on the Executive Board remained at six.

1.5.2 Change on the Supervisory Board

Due to new elections, long-time Supervisory Board member and Chairman of the Works Council [*Beirat*], Reiner Henszelewski, resigned from his position as a member of the Supervisory Board on March 27, 2014. His successor is Tim Färber, who will serve as the Works Council representative on the Supervisory Board. Thus, the number of members on the Supervisory Board (three) was kept constant.

1.5.3 Analysis of the cost and activity allocation model

In the recently completed fiscal year, the internal group cost and activity allocation for the past was analyzed in an effort to implement the adjusted global cost and transfer pricing model for Germany. The changes resulting from the analysis were recognized in the income statement[4].

1.5.4 Changes in the business structure

In Germany at the beginning of calendar year 2014, the global integration of the securities settlement and custody business line ("Securities Services"), formerly a part of the TTS Division, into the MSS Division was consummated. This measure successfully ensured that there is continuity of support for the clients of Markets & Securities Services.

1.5.5 Sale of CATs-OS to the Stuttgart Stock Exchange

In the recently completed fiscal year, CGMD sold to Börse Stuttgart Cats GmbH (Stuttgart) an electronic trading platform, which had served to sell the Bank's own products, and acquired a 9.9% interest in that company. This trade triggered one-time earnings of EUR 9.8 million.[5]

[4] The changes are explained in subsection 2.3.3 concerning results of operation.
[5] The impact of the transaction is described in the Bank's results of operation set forth in subsection 2.3.3.

2 Economic Report

Economic Report

2.1 General economic conditions

Macroeconomic Environment

In 2014, the global economy reported a moderate growth rate of 2.7% and thus remained at about the same lower level as in the prior year. Due to the declining trend in production growth and the still only moderate growth in trade, the anticipated increase in growth to approximately 3.2% did not materialize, which led to repeated downward adjustments in the forecast during the course of the fiscal year. Economic growth in industrial countries remained sluggish. In the developing markets, the anticipated economic recovery never came to fruition and the growth weakened even further.

The recovery of the US economy followed roughly the same course this year as it did last year, registering a 2.2% growth rate. There were definitely positive signs of solid economic growth and a rapid decline in unemployment. The United States proved that it was possible to achieve a recovery following the debt crisis through a combination of economic measures, flexibility on the supply side, reforms and restructuring, and debt write-offs. Nevertheless, the 2.6% growth rate projected at the beginning of the calendar year could not be realized and had to be adjusted downward during the course of the fiscal year.

Both in Europe and in Japan and as a consequence of self-imposed legal and regulatory restrictions, the commitment on the part of politicians to promote strong economic growth continues to be rather subdued. Below-average GDP growth is expected for both regions in the future. At the moment, we see no indication that the publicized “three pillars” will elevate the Japanese economy out of its “lost decades”. The Eurozone’s economy is resembling more and more the perennially sluggish cycles of the Japanese economy.

The 1.4% growth rate in Germany was higher than in the previous year (0.6%), but still below market expectations of 1.9% growth for the year. The cause is attributable to a foreign economic environment that has been less than accommodating.

Growth in the developing countries declined this year to 4.2%. This slowdown is obviously related to the inhibited development in industrial countries. Low inflation and the inertia in growth have weakened expectations in India, Korea and then Singapore.

Industry environment

In fiscal year 2014, the growing regulatory requirements have continued to increase costs and lower earnings. The market environment remained difficult, and featured persistently low and negative interest rate levels. The banking sector is also enduring numerous legal battles, which can be traced back to – among other things - the financial crisis of 2008 (e.g., credit default swaps, foreign exchange trading, interest rate manipulation).

The overall economic and political picture, specifically the continuing crisis in Ukraine, is hurting earnings in the banking industry because in some cases, transactions cannot be consummated due to the tense situation. The balance sheet strength of the Northern European banks, specifically the peripheral states, underwent a stress test conducted by the ECB, whereby the overall results turned out to be favorable. German banks did relatively well in the test. The anticipated difficulties based on large shipping loans did not materialize. Nevertheless, banks will continue to make balance sheet adjustments, *inter alia*, as they exit certain niche businesses and sell portfolios. The consolidation of the industry did not continue (except where there were politically triggered interventions).

2.2 Overview of CGMD business performance

Despite a largely difficult market environment[6], CGMD was able in the recently completed fiscal year to meet important business goals and to preserve its market position in episodic products such as advising on mergers and acquisitions, debt market financing, equity market financing, lending transactions in the investment grade sector and leverage finance. Overall, CGMD ranked in the top 4 among its competitors.

[6] The market in this case includes only the Bank’s target clients; Source: Dealogic as of November 30, 2014.

New client relations were entered into very selectively. The wide range of product offerings, on which CGMD can draw in almost all business divisions, have had a further favorable effect. The expertise in all client-related areas of our Bank has been prized by our clients and has helped the Bank maintain its solid earnings. This has offset the ever-declining interest income resulting from the highly regressive interest rate margins.

The Bank likewise extended its leading position as an underwriting institution for certificates and in 2014 celebrated its twenty-fifth year in business. In the Direct Custody and Clearing Division, the Bank was able not only to affirm its good market position, but also greatly increase the volume of securities held for the clients (Assets Under Custody) through the acquisition of a new global mandate in the fourth quarter.

The key benchmarks for controlling CGMD is operating efficiency. This benchmark is continuously reviewed by the Executive Board. In order to optimize this financial performance indicator, the Bank pursues an active cost and income management scheme. Compared to the planned range of 50-60%, the target during the reporting period was surpassed for CGMD upon factoring in the one-time effects.

Citi complies with all capital ratios, which are also required under Basel III, at both the global and local levels (Basel III Tier 1 Common Ratio increased to 10.7% as of the third quarter of 2014, and the Estimated Basel III Supplementary Leverage rose to 6% at the global level). The quality of the loan portfolio remains an important factor for the strong capital ratios at Citi. Even at the CGMD level, this quality is reflected inasmuch as there were once again no defaults in 2014.

The internal transfer prices were harmonized in the recently completed fiscal year. The results of the business divisions affected thereby remained positive, however. The clients' excess liquidity (cause) led to declining utilization of the credit lines.

In 2014, CGMD did not make any material changes to its existing business model. The business and risk strategy was once again reviewed by the Executive Board and Supervisory Board in 2014, and the priorities set forth therein were once again affirmed without change. As was the case last year, the risk-bearing capacity was achieved at all times. The goal set for the recently completed fiscal year – of largely maintaining the same number of employees – was also achieved.

2.2.1 Markets & Securities Services

Despite the volatility, the MSS Division was able to improve business results in the areas of Equities, Warrants and Certificates, Fixed Income Sales as well as in the Capital Market segment. This may be attributed, among other things, to the favorable conditions on the capital markets (both on the equity market and the debt market) and led to more underwriting business with the clients. In Fixed Income Sales, CGMD was able to distinguish itself from the competition by virtue of its customized products. Despite intense competition on the German market, the Securities Services Division was able once again to report slight growth compared to the prior year, due to – above all – greater trading volume among various clients.

The business conducted with warrants and certificates is a reflection of the market environment, which remained upbeat and included nine historical highs reported by various stock markets. In some markets such as Finland, the Bank was able to capture significant additional market share. The certificates business in Germany also developed according to plan. The focus on Finland in the Scandinavian countries and the related discontinuance of business in Sweden have diminished both the costs and the requisite resources (settlement, technology).

The foreign exchange business was patchy in 2014. On the one hand, the market featured low volatility during the first six months, which led to lower revenues and earnings, but then rebounded sharply during the second half of the year as the US dollar appreciated dramatically.

2.2.2 Corporate & Investment Banking

Despite persistent macroeconomic uncertainty and geopolitical tension, the CIB Division performed favorably in 2014. A key feature for the year was the increase in M&A transactions by the Bank's clients, which is reflected both in the advisory engagements as well as a higher demand for financing, risk assessment strategies for currency and interest positions, and the issuance of capital market instruments.

According to Dealogic[7], CGMD was able in 2014 to climb from sixth place to fifth place in the overall market rankings of Germany with regard to episodic products.

2.2.3 Treasury & Trade Solutions

In 2014, the Cash Management product area reported a result which was slightly higher than the prior year. The initiative to solicit new business had to confront a low interest rate or negative interest rate environment and margin pressure arising from the launch of SEPA. The conversion from the DTA format to the SEPA format as of August 1, 2014 was successfully completed both for SEPA credit transfers and for SEPA direct debit, core and B2B.

In 2014, the initiative to penetrate the market for documentary credits in export transactions continued in the area of trade financing. Given the tense economic conditions in many European countries, the issue of hedging risks in the supply chain remained in focus. In 2014, the demand for supplier financing on the basis of supply chain finance programs or at the bilateral level increased significantly in Germany as well.

2.3 Net assets, financial conditions and results of operation

2.3.1 Net assets

The balance sheet total of CGMD as of November 30, 2014 declined from the prior year by EUR 4,821.7 million to EUR 8,694.5 million. The largest single line items on the balance sheet are receivables from banks in the amount of EUR 3,202.1 million (prior year: EUR 3,292.2 million) and liabilities owed to banks in the amount of EUR 1,903.1 (prior year: EUR 1,938.1 million) and the assets in the trading portfolio totaling EUR 5,143.5 million (prior year: EUR 9,983.4 million). As of the balance sheet date, the Bank reported liabilities in the trading portfolio totaling EUR 5,114.1 million (prior year: EUR 9,905.3 million). The trading portfolio assets and liabilities result largely from warrants and include the traded products recognized at market value. The decrease in trading portfolio assets and liabilities is caused primarily by maturities (triggered by features such as barriers and knock-out limits) and by the expiration of numerous derivatives.

Securitized liabilities declined because one of the credit linked notes (CLN) issued by the Bank matured at EUR 0.0 million (prior year: EUR 74.4 million). Likewise, the receivable hedged by the CLN was repaid in a timely manner in April 2014.

In addition, a special item was created ("fund for general banking risks") pursuant to § 340g HGB in the amount of EUR 19.6 million (prior year: EUR 13.3 million).

The Company's equity capital as of November 30, 2014, including the silent partner contribution, totaled EUR 590.5 million (prior year: EUR 590.5 million) and included a silent partner contribution in the amount of EUR 122.7 million (prior year: EUR 122.7 million).

Contingent liabilities based on guarantees and warranties declined to EUR 475.6 million (prior year: EUR 545.2 million).

Irrevocable credit commitments totaled EUR 731.8 million (prior year: EUR 732.9 million).

2.3.2 Financial condition

CGMD refinances itself primarily within Citi and through the German *Bundesbank*.

Since Citi's European liquidity management is centralized at CGMD, which serves as the point of contact with the ECB, CGMD places most of Citi's EUR-dominated excess cash flow with the Central Bank on a daily basis. In the recently completed fiscal year, CGMD was in a position at all times to meet its payment obligations. Moreover, any and all liquidity requirements mandated by law were satisfied at all times. No significant capital expenditures are planned which would cause the liquidity situation to worsen. Investments are made solely on a short-term basis.

[7] Source: Dealogic as of November 31, 2014.

The Bank generally does not engage in maturity transformations. Most of the maturities are receivables and liabilities, which are owed to or from banks and clients, and are short-term and denominated for the most part in EUR. The number of receivables and liabilities, which are denominated in foreign currencies, is not significant.

In order to cover unforeseeable liquidity risks in EUR, other suitable agreements are in place with sister companies, which give CGMD direct access to bonds that are suitable as collateral for the ECB.

2.3.3 Results of operation

For fiscal year 2014, CGMD reported a profit (before transfer to CKG and the silent partner) in the amount of EUR 125.7 million (prior year: EUR 12.7 million).

Due to the current negative interest rate environment, net interest income declined to EUR 4.7 million (prior year: EUR 5.7 million).

The EUR 113.3 million increase in the annual net income resulted primarily from the EUR 62.9 million jump in the net commission income to EUR 186.6 million (prior year: EUR 123.7 million). The cause for this rise was a review performed in 2014 on the transfer pricing applied within Citi during fiscal years 2005-2014. Based on this one-time effect, the Bank recognized income in net terms of EUR 85.9 million in fiscal year 2014.

In the same period, the Bank adjusted the transfer pricing rates for the brokerage of securities transactions to match the transfer prices generally applicable within the group. This one-time (non-recurring) effect led to a reduction in the commission income compared to the prior year in the amount of approximately EUR 20.4 million.

The sale of the CATs-OS platform generated more non-recurring income in the amount of EUR 9.8 million, which was reported under other operating income.

In the recently completed fiscal year, the Bank booked net income from the trading portfolio in the amount of EUR 57.1 million (prior year: EUR 35.1 million), which related to dividends received under the trading portfolio and to transactions with warrants and certificates. The general recovery on the international financial markets and the related improvement in the global stock indexes once again had a favorable effect on earnings in 2014.

Personnel expenses fell by EUR 9.4 million to EUR 65.0 million (prior year: EUR 74.4 million) mostly because of the restructuring costs incurred in the prior year and the lower expenses for bonuses.

Other administrative expenses fell by EUR 2.2 million to EUR 74.4 million (prior year: EUR 76.6 million) due to lower expenses incurred from the allocation of costs within the group.

The profits, which were transferred under the profit transfer or partial profit transfer agreement, are attributable to CKG in the amount of EUR 79.9 million and to the silent partner in the amount of EUR 45.8 million.

Overall, the Bank views the performance in 2014 as satisfactory and the net assets, financial condition and results of operation as solid.

2.3.4 Key financial performance indicators

Financial performance indicators

The internal financial benchmarks set forth below are shown on the basis of the figures prepared for the Bank according to US GAAP as of December 31 of a given year:

	January 1, 2014–December 31, 2014	January 1, 2013–December 31, 2013	Change
Operating Efficiency in %	48	85	(37)

(Costs / income on the basis of EBT per US GAAP)	

	December 31, 2014	December 31, 2013	Change
Total risk coverage in USD million per US GAAP	414	414	0
Risk utilization in USD million	224	290	(66)
Risk utilization in %	54	70	(16)

Non-financial performance indicators

The third internal benchmark is the number of personnel, a figure that serves as a non-financial performance indicator. On November 30, 2014, CGMD employed 267 workers (prior year: 270), including employees at the London branch. The Bank was thereby able to largely meet its goal of maintaining the same number of employees on staff as in the prior year.

CGMD's community involvement is carried out by its employees. In various projects, CGMD offers support to those in need by making donations and assigning work, and it trains young students in applying for jobs to launch their careers.

The group-wide Global Community Day ("GCD") is an event that is carried out once each year. CGMD employees themselves are committed to working on social welfare projects as part of the GCD, i.e., visiting nursery schools, nursing homes and elementary schools.

3 Outlook and Opportunities

Outlook and Opportunities

3.1 Situation in the overall economy

3.1.1 Outlook for the overall economy[8]

With respect to the development of the global economy, the Bank expects a modest increase in the growth rate in 2015, from 2.7% to 3.2%. The expectations for a weak global economy are based on declining or very low growth rates both in developing countries and in industrial countries. The Bank expects a 2.2% growth rate for industrial countries after those countries reported a 1.7% growth rate in the prior year. Overall, the Bank expects that globally there will continue to be significant differences between the individual regions.

In the United States, it remains to be seen how the Fed will respond to the current challenges and how sustainable the economy's current favorable growth momentum will be. Based on the current information available, we anticipate no further increase in interest rates through September of 2015, but this forecast is fraught with great uncertainty inasmuch as a prolonged strain on the US economy, caused perhaps by continuing weakness in global economic growth, could postpone the interest rate rise.

In the Eurozone, a slight 1.1% increase in the growth rate is expected in 2015. The recovery of economic output can be attributed above all to the weak euro. Nevertheless, given the muted global expansion, global trade growth will probably be rather modest.

Another major challenge will be the drop in oil prices. The impact on our clients as a result of this development must be monitored and analyzed on a case-by-case basis. Although the ECB emphasized the long-term favorable effects of a price drop (above all for employment), we see big problems, above all in the impact this will have on inflation. For the second year in a row, inflation is expected to be under 1% in 2015, following a 0.5% increase in 2014. In view of the current decline in inflation and in economic growth, ECB could be expected to respond by launching a quantitative easing program. Should the ECB not respond quickly, then there is a greater likelihood that the ECB will not achieve its goal of price stability and that its related credibility will suffer. We expect that the ECB will enlarge and change its asset purchase program in early 2015 in order to try (sooner or later) to bring the inflation rate back to the important 2% mark. The impact of low inflation on CGMD as a consequence of the low global economic growth and as a cause of the decline in commodity prices could extend to CGMD only indirectly if its customers suspend their global investment activities. For the industrial countries, the inflation rate in 2014 should remain low at 1.4% and should increase slightly in the years thereafter. Likewise in the emerging countries, the trend of the 4.4% inflation rate should remain the same in 2015 and 2016.

With regards to Germany, the Bank is expecting growth rates of 1.2% in 2015 and 1.7% in 2016. Despite recent negative news, which forced Citi to adjust its expectations, we also continue to assume that there will be an increase in economic output attributable mostly to domestic demand. Germany should also have an inflation rate which will hover below 2%.

Asia is generally viewed as stable and will certainly continue to be attractive to investors. Nevertheless, it remains to be seen how China will address the challenges now looming, above all the decline in economic growth.

3.1.2 Outlook for the banking industry

Although the banking business initially proved to be rather robust in Europe in 2014, the cloudy economic outlook, triggered not least by global political tensions, create some worry that the economic momentum will wane.

The stress tests conducted by the ECB in October 2014 revealed a number of capital gaps at the European banks, although attention will remained focused on lowering the gearing ratio and improving the quality of the assets. In view of the ever more complex regulatory requirements, the earnings generated by European banks will diminish until the real economy can slowly recover. The different rules on capital, liquidity, bank structure and implementation timetables also help create a disparate competitive platform.

[8] Source: Citi Research "Global Economic Outlook and Strategy" dated October 29, 2014

In the United States, bank profitability rose again, although in this case, the needs for risk provisioning in the lending business will probably also climb. Expenses for legal disputes or penalty payments continue to represent a major risk which financial institutions will find hard to calculate on a global scale.

In the coming year, business investment activities and therefore demand for credit in Germany should gradually rise. Nevertheless, greater use of internal and alternative external sources of financing are an impediment to a significant recovery in the lending business. In addition, we expect competition to again intensify on the national banking market for international corporate clients and for German mid-size companies.

Overall, however, the potential for earnings growth within the banking sector must be viewed cautiously in light of the continued low or negative interest rate levels, client reluctance and apprehension, and market volatility which is expected to continue. Issues such as capital, regulation and restructuring will largely dominate the banking industry again in 2015 and will leave their marks on the cost side. The focus should remain on general cost reduction and on reviewing the relevant business models. Increased regulatory requirements related to equity capital and liquidity will continue to preoccupy the entire finance industry and will no doubt significantly increase operating costs.

3.1.3 General statement about anticipated performance

Overall for fiscal year 2015, we expect a result that is significantly better than the level achieved in 2014 after adjusting for non-recurring effects.[9] In this respect, the budgeted income from the change in the costs and activity allocation model for Germany will somewhat offset the loss of income from the (1) placements made with the German *Bundesbank* in the Treasury Division, and (2) the sales proceeds earned on the sale of the CATs-OS systems to the Stuttgart Stock Exchange. With respect to the operating efficiency, we therefore anticipate an unchanged level (excluding the non-recurring effects) like in previous years. We are currently assuming that there will be no restructuring needs in 2015, which means that no provisions were set aside for such measures. On the basis of the current planning, CGMD is assuming that the risk-bearing capacity in fiscal year 2015 will be met.[10]

3.2 Significant opportunities for the business divisions

The expectations described herein regarding the development of the Bank and the individual business fields are based on the assumptions set forth in the section entitled “Situation in the overall economy”.

3.2.1 Markets & Securities Services

In Markets & Securities Services, the income and commission revenue in the client-based business should be impacted once again in 2015 by the uncertainty on the markets and the related volatility. The existing low or negative interest rate environment will continue to set trends in 2015. Citi can assist investors here in finding yield-driven products and solutions, which the business potential of CGMD will support

In Securities Services, the Bank expects the positive trend to continue on the basis of several current projects that focus on topics such as derivatives clearing and collateral management. With the first migration for Target 2 Securities, the market and our clients will place most of their focus on this matter and will demand advisory service support from CGMD.

Thus, the business division expects stable growth in earnings at the 2014 level, whereby the income in certain divisions could be much higher than the results from 2014.

3.2.2 Corporate & Investment Banking

The year 2015 will continue to be influenced by persistent uncertainty in the macroeconomic environment and increasing regulatory requirements. Despite these influences, the Bank expects a stable environment in the lending business in 2015, although the volume increases will place additional pressure on the credit

[9] See section 2.3.3 for an explanation of the non-recurring effects.
[10] See subsection 4.4 for an explanation of the overall bank control *via* risk-bearing capacity concept.

margins. In the divisions involving advice on mergers and acquisitions and capital market transactions, the Bank again expects strong activity in 2015. A close and well-coordinated collaboration between the divisions of Corporate and Investment Banking should play a decisive role in ensuring success. The anticipated increase in Mergers & Acquisition advisory work will require, if necessary, additional customized solutions from Equity, Fixed Income and Debt Capital, which CGMD can deliver from under one roof.

In the Corporate Client Division, CGMD will resolutely seek to expand its client portfolio to add strategically important clients, specifically focusing on clients that do business in industry or technology or that act as sponsors (private equity shareholders). These marketing activities in 2015 could lead to other mandate opportunities in the episodic segment. Key features in this market, which will likely remain unchanged, are a high degree of competition from domestic and international banks and from niche suppliers, all which could present risks with regard to CGMD’s market share. The global presence of Citi and its related ability to provide local expertise does, however, afford the Bank opportunities to set itself apart.

3.2.3 Treasury & Trade Solutions

In the TTS Division, CGMD continues to assume that there will be a tense economic situation including lower or negative interest rate environment. On the client side, this has led to a stronger demand for innovative investment opportunities. We expect that for 2015 the demand for investment products will continue to rise. The SEPA migration and the related advice has further intensified client relations. The successful SEPA implementation led to a system consolidation and therefore cost reductions, but also spawned new products such as solutions in e-commerce and e-invoicing. For 2015, we expect further cost consolidation in the SEPA region and increased price pressure from our German clients in the Eastern European countries, which have likewise launched SEPA.

In Trade Financing, the clients will continue to demand the hedging of receivables in 2015. The importance of active liquidity (cash) management using trade financing, such as supplier financing, should likewise continue to increase.

4 Risk Report

Risk Report

4.1 Organization of the risk management

The Chief Risk Officer ("CRO") is responsible for implementing the risk policy guidelines for quantifiable risks which are defined by the plenary Executive Board. Within the organization, the Risk Management Country Officer ("RMCO") reports to the Chief Risk Officer. The RMCO routinely provides reports on the overall risk situation of the Bank in the Business Risk, Compliance and Control Committee ("BRCC"), which is part of the plenary Executive Board, and to the Supervisory Board. The reporting is based on various internal rules, which were enacted in accordance with local regulatory requirements concerning the reporting system of a bank (see AT 4.3.2 in combination with BTR 1 – 4 of MaRisk). The reasonableness of the risk management (RMS) is reviewed on a regular basis by the Bank's internal auditing department.

4.2 Risk definition and risk strategy

CGMD defines risk as the danger of incurring possible losses or lost profits based on internal or external factors. Risk management generally distinguishes between quantifiable and non-quantifiable types of risk. Quantifiable risks are usually risks that can be appraised in the annual financial statements or on capital commitments, and non-quantifiable risks are, for example, reputation risks and liquidity risks (non-quantifiable in the sense of risk capital).

In accordance with the business strategy, the overall risk strategy defines the strategic risk guardrails for developing the CGMD business. In addition, the risk tolerance is determined as the maximum risk, which the Bank is willing to assume in pursuing its business objectives and which it can assume without exposing itself to existential risks. The main idea here is to safeguard CGMD's reasonable cash and capital resources in Germany. Based on these requirements, adequate limits are derived for the risk resources - capital and cash reserves – that are available to the group.

The RMS records mostly risks and not opportunities because risk prevention is the primary mission of CGMD risk management. Opportunities may be observed and utilized by the Bank's individual business divisions by relying on the parameters determined under the risk acceptance procedures (limit packages, etc.). In connection with the overall bank controlling, the parameters, which are generated from multi-year capital planning procedures, must also be taken into account. For this reason, opportunities and risks will not be off-set either for the quantifiable or the non-quantifiable parameters, which would in fact be viewed as an overall assessment of the risks.

For purposes of identifying, avoiding and eliminating risks, CGMD uses – analogously to the global approach – the so-called "Three Lines of Defense Model". In this regard, the key responsibilities for risk monitoring and prevention are discharged on a decentralized basis by the respective business divisions and staff offices ("first line of defense"), while lower level functions, like the risk management and compliance ("second line of defense"), exercise an independent control function, and the Group Audit Department ("third line of defense") performs an independent assessment of the overall control system.

Financial instruments, which are accounted for at CGMD, result primarily from underwriting activities in "warrants and certificates" as well as the hedges resulting therefrom.

The following discussion will not specifically address risks that arise from the use of financial instruments. Instead, the impact from the use of financial instruments and the description thereof constitute an integral element of the numbers and process descriptions provided in the risk report. Risks are thereby identified in connection with the risk inventory and then classified according to their materiality. The use of statistical procedures yields a quantification of the resulting material risks such as market price risks, liquidity risks or credit risks that arise from the use of financial instruments. The daily and monthly reporting ensures that the business managers are reasonably informed about all exposures and the inherent risks.

All other business divisions, which are described in this management report and which actively deploy financial instruments, contract generally on behalf of other business units and are therefore not part of this management report.

4.3 Overview of the types of risks

As described above, the Bank's business activities create significant risks. The monitoring and control of such risks is described below:

4.3.1 Credit risks

CGMD continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions as well as the issuer risks are being observed. Monitoring is performed by a department that operates independently of the Front Office (Trading, Banking). The Bank differentiates these credit risks between settlement risks and pre-settlement exposures. The settlement risk is the risk incurred by the Bank if the Bank duly performs under a contract on settlement day, but the client does not perform. The pre-settlement exposure is the risk incurred by the Bank if the client is unable to meet its obligations under a contract and the Bank must therefore cover the position in the market. The risk is calculated based on the "mark-to-market" valuation of the client exposure.

The Bank defines limits for various credit types according to the relevant counterparty, who may, where applicable, be generally assigned to a class of debtors under regulatory rules. These limits are approved by the competent decision-makers.

Reports on the different counterparty risks are generated by the system and analyzed on a daily basis. In the event of identified limit breaches, the responsible trader (including the head of the trading department) is informed without undue delay. Senior management will also be informed about these facts in its daily report.

For syndicated or bilateral credit facilities, the monitoring and daily reporting will be conducted similarly.

The following table provides an overview of the structure of the loan portfolio[11] based on the types of loan and credit scores as of the end of the fiscal year on November 30, 2014:

November_2014	Total (MM USD)			Direct			Contingent Liability			Clearing			PSR			STL		
FRR	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)
1	38	6,127	26.9%	11	5,778	72.6%	25	344	33.2%	2	5	0.0%	0	0	0.0%	0	0	0.0%
2	28	173	0.8%	11	33	0.4%	6	27	2.7%	11	113	0.8%	0	0	0.0%	0	0	0.0%
3	239	4,419	19.4%	68	1,212	15.2%	49	262	25.3%	117	2,770	20.7%	4	90	35.3%	1	85	59.0%
4	305	9,557	41.9%	77	700	8.8%	64	270	26.1%	153	8,362	62.3%	10	165	64.7%	1	59	41.0%
5_7	223	2,498	11.0%	53	235	3.0%	28	119	11.5%	142	2,143	16.0%	0	0	0.0%	0	0	0.0%
8_9	5	34	0.1%	1	0	0.0%	2	13	1.3%	2	21	0.2%	0	0	0.0%	0	0	0.0%
10	0	0	0.0%	0	0	0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Total	838	22,808	100.0%	221	7,959	100.0%	174	1,037	100.0%	427	13,413	100.0%	14	255	100.0%	2	144	100.0%

In this regard, the direct, bilateral credit facility with clients is summarized under the heading "Direct Exposure" [12], while "Contingent Exposures" covers contingent liabilities (aval guarantees) and "PSR" (Pre-Settlement Risk Exposure) covers fulfillment risk. Under "Clearing Risk", revocable intra-day credit facilities are listed, which allow customers to settle cash and securities transactions. The credit scores listed in column 1 (Facility Risk Rating (FRR)) are based on the likelihood of default (Probability of Default (PD)), which is calculated on a global basis, and the applicability of which is transparently established for the local loan portfolio, however, as part of the annual verification process. The PDs are also a significant component for the model calculation of the risk capital for credit risks. An FFR of 1 corresponds to an AAA (S&P) credit rating. A very large majority of the loan portfolio is managed with clients, whose credit rating is investment grade (FRR 4). In order to calculate the risk capital for the credit risks, other factors and parameters are also included such as "Loss Given Default" (loss ratio in the event of default) and the "Exposure at Default (amount of the receivables at the time of the default)[13].

[11] Procedure for calculating the risk provisioning is described in the Notes.
[12] In the table on the structure of the loan portfolio, referred to as "Direct".
[13] In the table on the structure of the loan portfolio, referred to as "Clearing".

The following table[14] provides an overview regarding the granting of loans based on regions/sectors. The dispositive aspect for evaluating the portfolio in each case is the country in which parent company has its registered corporate domicile:

	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
GERMANY	4,199	4,072	4,006	3,789	4,021	2,453	2,854
USA	534	429	346	154	140	1,604	1,614
EUROPE	250	269	176	212	184	246	97
ASIA	151	148	142	139	63	60	59
OTHER	45	65	37	40	44	49	42
Grand Total	*5,179*	*4,983*	*4,708*	*4,333*	*4,453*	*4,412*	*4,666*

The strong concentration of credit extensions within Germany can be explained by the implementation of the Bank's global strategy, according to which clients, if possible, are advised from the country in which they reside.

EUR MM	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
FINANCE	889	836	612	451	334	1,775	1,706
GOVERNMENT	2,807	2,815	2,859	2,696	2,796	1,343	1,750
CORPORATES	1,484	1,332	1,236	1,186	1,323	1,294	1,210
OTHERS	0	0	0	0	0	0	0
Grand Total	*5,179*	*4,983*	*4,708*	*4,333*	*4,453*	*4,412*	*4,666*

The high percentage of credit extended to sovereign states (Government) is based on the fact that CGMD places it structural excess cash at the end of each day with the German *Bundesbank*, which is considered a "government" entity. Since the interest rate environment in the past year consequentially changed once again (negative interest rates), the funding structure of CGMD was modified such that the cash deposits with the German *Bundesbank* were permanently reduced, however, compared to the prior years.

4.3.2 Market price risks

The most important types of trading businesses offered by CGMD from a risk perspective are:

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedging transactions
- Issuance and trade in investment certificates in equity, commodity and foreign exchange as well as the corresponding hedging transactions
- Money market transactions with credit institutions
- Interest rate swaps & interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent)

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

The risk exposures in the trading books and in Treasury are quantified daily. This is carried out by means of factor sensitivity analyses that evaluate all trade transactions both in terms of their price relevant

[14] All information in the following both tables are shown in EUR millions.

market factors (foreign exchange, equity and equity index spot prices, yield curves and interest rate volatility, currencies, commodities) and in terms of the changes in value that would occur in the event of a standardized market movement. This provides an overview on the risk profile of the individual trading portfolios and the entire trading portfolio.

In addition, we quantify the loss potential of each market factor and calculate the “value at risk” (“VaR”), taking into account the correlation between the market factors. The VAR quantifies the maximum loss to be expected from a trading book during a holding period of one day and with a confidence level of 99%. The calculation also takes into account the specific risks of individual stocks (beta risk).

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

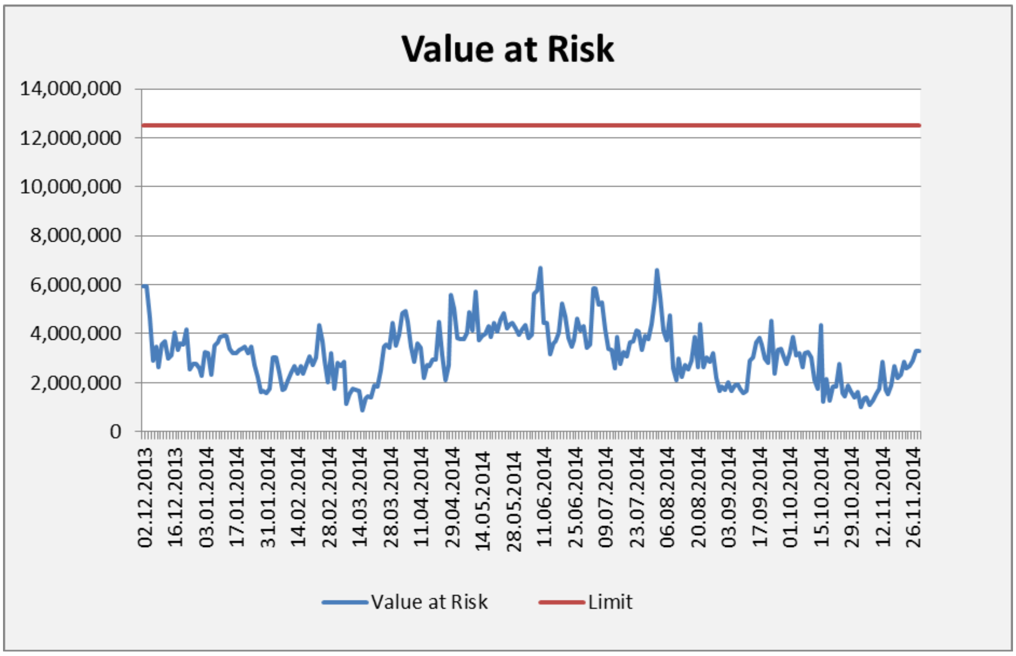
In addition, in order to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

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

Due to the complexity of the derivative trading activities, CGMD is connected to the group-wide risk monitoring system. In this regard, it presents all aggregate market price risks by products, currencies and markets and c ompares the risk exposures on t he different levels to the relevant limits. The system generates daily reports (which highlight specific limit breaches where applicable). They are provided to Risk Controlling each morning. The trading-independent Risk Controlling function monitors compliance with the limits and the escalation of the Management Action Trigger on a daily basis. The aggregated reports are provided to the Executive Board and the heads of the trading desks.

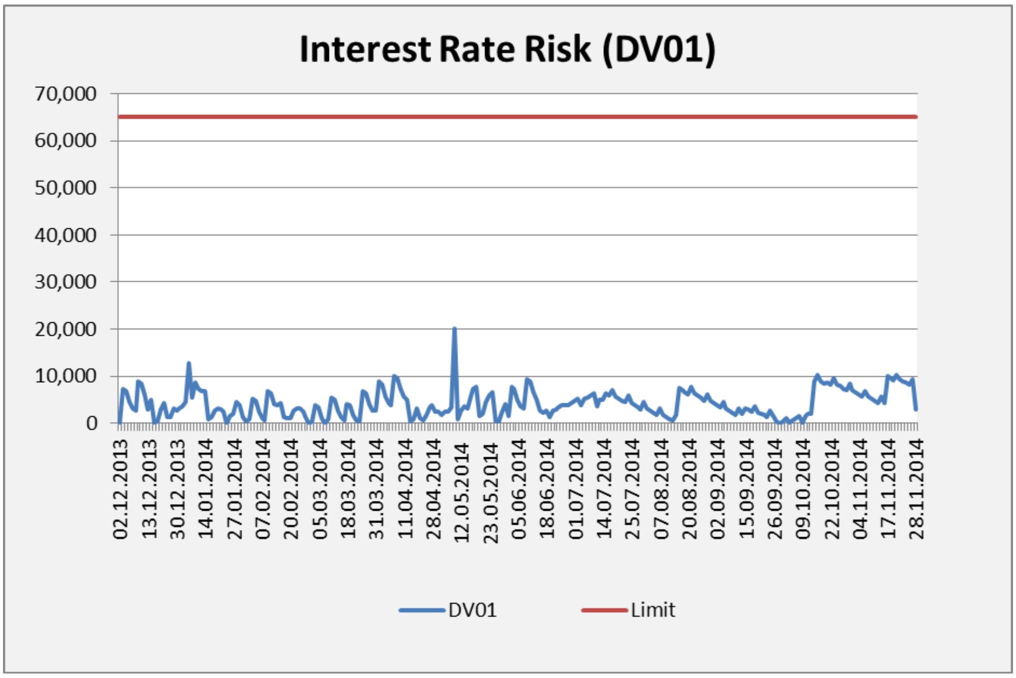
The group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and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

The following diagram presents an overview of the development of the VaR in fiscal year 2013/2014. The values shown must be seen relative to the total limit for the VaR (USD 12.5 million):



The Value at Risk limit remained unchanged compared to the prior year. After the limit adjustment in fiscal year 2012/2013, the utilization in fiscal year 2013/2014 generally moved below 50%, although the typical fluctuations did occur during the course of the entire year and neither the VaR minimum limits for the individual product groups nor the overall VaR of CGMD were exceeded (breached).

The following diagram charts the risk of interest rate changes for the Bank's non-trading book [*Anlagebuchs*] in fiscal year 2013 / 2014 in USD.



In this case as well, the Bank is exhibiting a relatively low utilization of the limit of USD 85 million that was approved by management. As it was done before, the liquidity cushion continues to be higher than a cash reserve. This had already led in fiscal year 2012/2013 to a sustained reduction in the risk of an interest rate change, which was justified because of the lower duration compared to a l iquidity reserves in government bonds. In the short-term, no changes are expected.

4.3.3 Liquidity risks

The liquidity risk is managed by the Treasury Division. The controls are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario stress analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. Risk Management monitors compliance with the limits on a daily basis and shall keep the Executive Board seasonably informed of the Bank's liquidity situation. A liquidity reserve was formed in order to absorb potential distortions on the capital markets and the liquidity shortages resulting therefrom.

CGMD reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the recently completed fiscal year 2013/2014, there were no limit breaches shown in the funding matrix. The following table shows the accumulated cash flow of CGMD distributed according to the relevant maturity ranges as of the balance sheet date. The cash flow limits for all maturity ranges was kept unchanged at zero in the recently completed fiscal year. In other words, a negative cash flow within a given maturity range automatically triggers a limit transgression, which in turn prompts a corresponding escalation to senior management.

	O/N	2D-7D	8D-15D	16D - 1M	2M	3M	4M - 6M	7M - 12M	2Y	> 2Y
MAR in USD MM	2,612	1,700	1,583	1,452	1,308	1,271	1,282	1,282	1,276	117
Limit in USD MM	0	0	0	0	0	0	0	0	N/A	N/A

In the recently completed fiscal year, there were no limit transgressions (breaches) arising from the funding matrix.

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

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

4.3.4 Operational risks

Operational risks are defined by CGMD as all risks which do not qualify as market, credit or liquidity risks. Operational risks are divided into the following categories:

- Fraud, Theft & Unauthorized Events
- Employment Practices and Workplace Safety
- Clients, Products & Business Practices
- Physical Assets & Infrastructure Events
- Execution, Delivery & Process Management

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

The operational risk could increase if processes are outsourced to internal and external service providers. CGMD has developed a suitable infrastructure in order to be able to assess and monitor the potential risks resulting from outsourcing, such that the materiality of all outsourcing will be evaluated once each year by the competent Outsourcing Steering Committee upon considering numerous factors. Furthermore, it is the responsibility of all outsourcing managers to regularly review the quality of the services rendered. Problems, which are thereby identified, must be reported to the business managers in a timely manner but any case no later than as part of the monthly report.

The tasks and responsibilities as well as the documentation are regulated under the applicable CGMD policies. Senior management shall be informed in a reasonable manner about the aforementioned risks through daily and monthly reports.

In order to record quantifiable risk findings, a database is used (Event Data Capture System), which also serves as a basis for the reports to senior management.

The operational risks related to the risk-bearing capacity calculation are quantified through an expert assessment. The Pillar 1 minimum capital requirement for the operational risks, which is computed using the standard approach, is used for this purpose and is included in the calculation of the risk-bearing capacity.

4.3.5 Other significant risks

Pension fund risks

The Bank currently has three pension funds. However, the risk-bearing capacity calculation lists only two funds, for which CGMD bears an economic risk regarding the minimum return (yield) targets and a duty to make subsequent contributions. The calculation of the risk capital and the corresponding risk capital stress test is made using mathematical-statistical models (variance-covariance matrixes) and scenario analyses. The risk capital computed hereon is set forth in the relevant tables and diagrams for the risk-bearing capacity calculation.

The investment strategy is set by the Pension Fund Investment Committee, whereby the actual management of the fund is the responsibility of an outside fund manager.

Reputation risks

Since the reputation risk can emanate from all other risks, it is handled separately from operational risk. For the aforementioned reason, reputation risks are monitored and managed implicitly by controlling all risk categories from which a reputation risk could arise. An explicit monitoring of the reputation risk is carried out by the legal department and the “corporate communication” department because reputation risks could arise from complaints and litigation or negative press reports. A quantification as contemplated under the risk capital concept is handled through an expert assessment. The magnitude, which is calculated thereby, is derived from the risk capital for operational risks.

Miscellaneous risks

The Bank continues to maintain an active dialogue with the tax authorities in order to bring about clarification of the tax treatment in a number of product segments. The Bank has set aside a provision in the amount of EUR 2 million for possible costs that could arise in connection with legal advice.

4.4 Total bank control *via* the strategy of risk-bearing capacity

In order to ensure capital adequacy, the available risk coverage potential of the economic capital needs is compared against the material and quantifiable risks facing the Bank. The Bank performs a risk-bearing capacity calculation using both a “going concern approach” and a “gone concern approach” (liquidation approach). Whereas under the going concern approach, the focus is on assessing the ability to operate the business while simultaneously meeting the regulatory capital ratio requirements, the liquidation approach considers the creditor protection. The Bank uses the going concern approach as its main control approach.

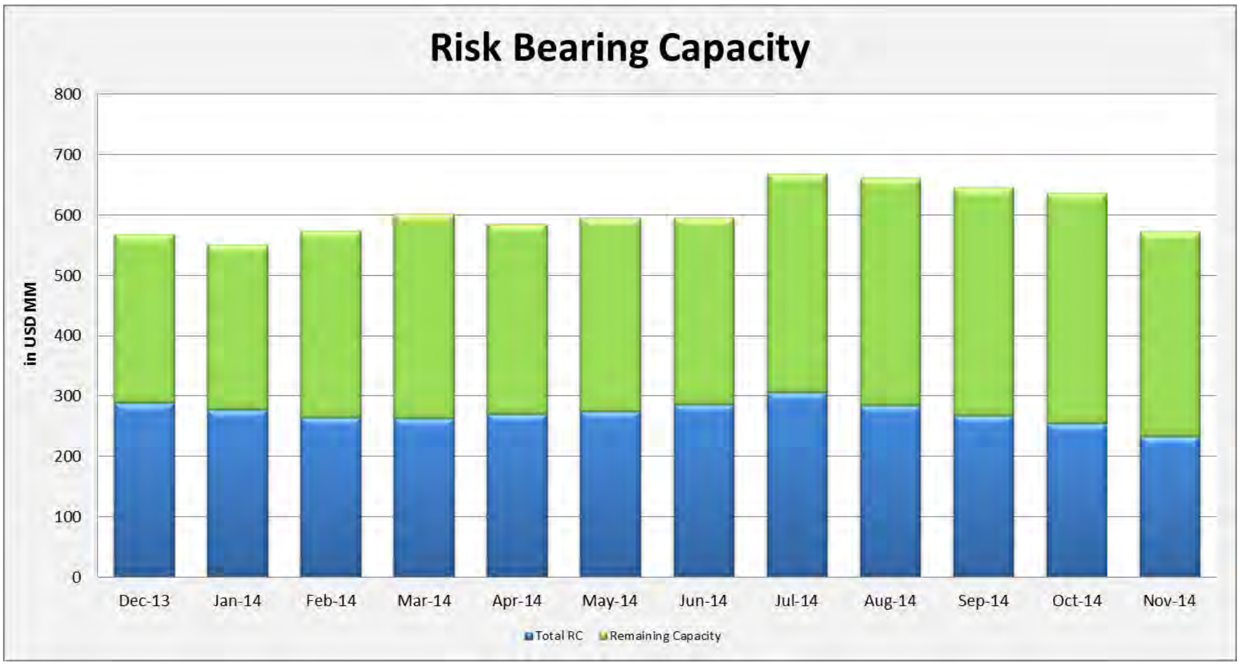
The main types of risks requiring the capital coverage as identified by the Bank are the market risk, the credit risk, the operational risks, reputation risks and risks arising from pension funds. In this regard, the Bank uses either statistical methods (models) or expert assessments regarding the quantification of the necessary risk capital. Calculations are supplemented through quarterly stress simulations for all material risk categories.

Even though it is a material risk, the liquidity risk is not taken into account in the risk capital calculation because conceptually no economic capital needs can be derived from this risk.

The table below shows the development of the economic capital requirements for each quantifiable and significant type of risk, which CGMD faced in fiscal year 2013/2014. The figures shown are in USD millions. Under the last column labeled "Trend", the trend in the risk-bearing capacity is shown as a comparison to the respective month of the previous year. Concentration risks are implicitly included within the risk model. Possible risk concentrations are also identified and appraised in a concentration analysis.

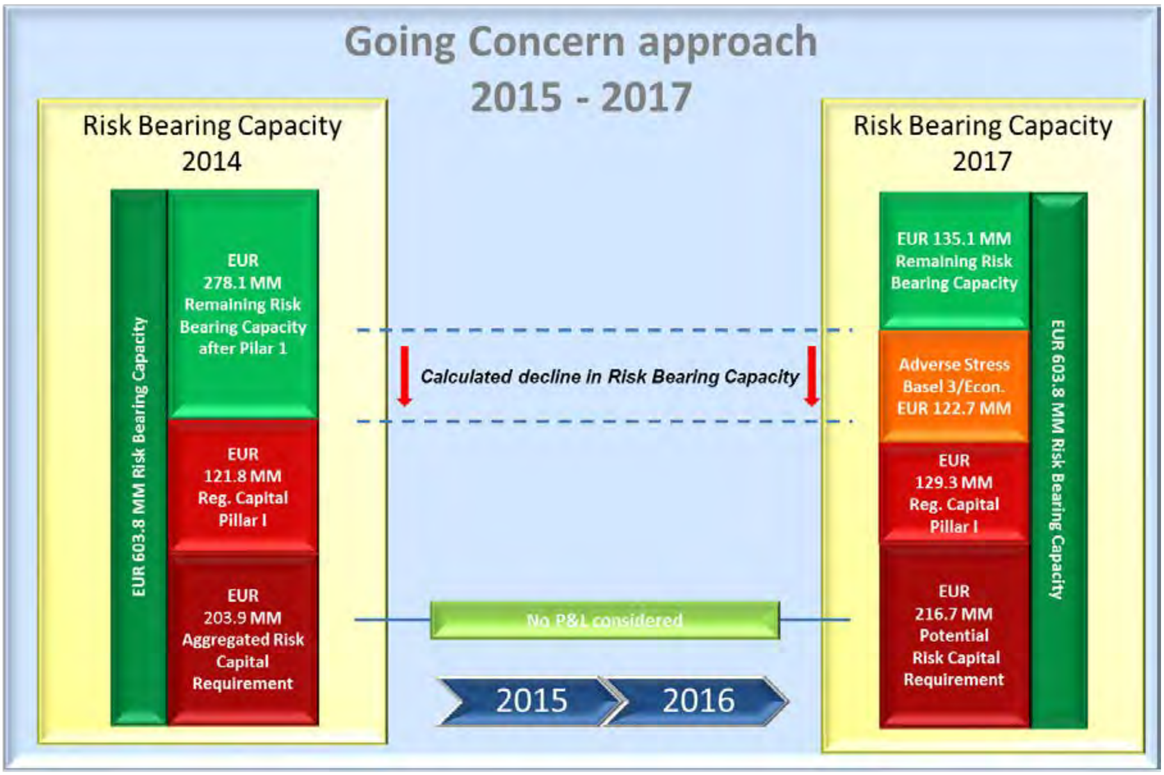
Month	Credit Risk	Market Risk	Operational Risk	Reputational Risk	Pension Fund Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend
Dec-13	80.2	70.6	51.7	13.0	74.0	289.5	568.5	279.0	stable
Jan-14	77.0	64.1	50.7	12.7	74.0	278.5	552.1	273.6	stable
Feb-14	75.6	49.8	51.9	13.0	75.0	265.3	574.7	309.4	up
Mar-14	80.3	44.8	50.8	12.7	75.0	263.6	602.5	338.9	up
Apr-14	82.7	48.7	51.0	12.8	75.0	270.2	586.2	316.0	down
May-14	80.3	57.6	50.1	12.5	75.0	275.5	596.1	320.6	stable
Jun-14	81.3	66.9	50.3	12.6	75.0	286.1	596.5	310.4	stable
Jul-14	100.3	69.0	49.3	12.4	75.0	306.0	668.4	362.4	up
Aug-14	84.7	65.1	48.6	12.2	74.0	284.6	662.3	377.7	stable
Sep-14	79.5	56.6	46.4	11.6	74.0	268.1	646.7	378.6	stable
Oct-14	76.1	47.5	46.2	11.6	74.0	255.4	637.4	382.0	stable
Nov-14	66.8	40.7	46.0	11.5	69.0	234.0	573.2	339.2	down

The following graphical depiction shows the committed risk capital (blue portion of bars) in proportion to the aggregate risk coverage still available (shown in green as "remaining capacity")):



The risk-bearing capacity was and is guaranteed at all times in the reporting year, and the Bank has a suitable cushion of risk capital. The risk capital projection over the coming three fiscal years, which is carried out as part of the annual risk strategy process, also revealed that the risk-bearing capacity will remain in place at all times upon taking into account the targeted business development and the demands in the strategy process specified under the MaRisk (e.g., allowing for adverse stress scenarios).

The following diagram reveals an overview regarding the development of the risk-bearing capacity while taking the aforementioned factors into account:



4.5 Summary description of the risk situation

Given the improvements made in the entire risk management arena during the reporting period, the Bank has a tool that is customary in the industry and meets the requirements under the MaRisk.

The Bank holds adequate liquidity and capital resources in order to be able in a reasonable manner to cover all of the aforementioned risks and to be able at all times to support a sustained CGMD business development. Under each of these scenarios, this also applies to the implemented stress test.

5 Accounting-based Internal Control System

Accounting-based Internal Control System

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

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

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

The management report is prepared on a collaborative basis by the business divisions CIB, TTS and MSS, as well as by the Financial Control and Risk Management Departments. In addition to the balance sheet and the income statement, other data drawn from the internal reporting (e.g., documentation of the strategy) and internal and external market studies serve as a source of information. The Executive Board member responsible for the accounting will compile the management report and will approve the sections that were submitted.

CGMD relies on a globally utilized system to monitor its balance sheet accounts and the account balances (net exposures) existing thereon. Under this system, each balance sheet account is assigned to an account supervisor, who must reconcile and, upon request, document the balance in the relevant account on a monthly basis. The risk that certain balance sheet accounts will be inactive or left unassigned is thereby eliminated.

The results of the process are discussed during monthly Balance Sheet Validation Committee meetings. The persons participating in this meeting are the Executive Board member responsible for accounting, the employees of the O&T Risk and Control Unit, the Financial Control department and Internal Auditing.

The core controls of the accounting-based internal control system are a component of the “Management Control Assessment” (“MCA”), which is the self-assessment form used throughout the entire group. The MCA process is supported by technical systems and is run and supervised by professionally-trained Risk Management personnel. The results from the MCA, the results of the internal audit and the documentation of any remedial actions thereupon launched are all logged in a database

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

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

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

In fiscal year 2014/2015, the Bank intends to fully implement into the daily working procedures the measures, which were commenced in the recently completed fiscal year, in order to further strengthen the accounting-based internal control system specifically with regard to internal group activity allocation and intends to further improve the documentation.

6 Supplementary Report

Supplementary Report

There have been no events of special importance after the balance sheet date (Negative Covenant).

Balance Sheet as of November 30, 2014
Citigroup Global Markets Deutschland AG, Frankfurt am Main

A s s e t s

	EUR	EUR	EUR	11/30/2013 TEUR
1. Cash reserve				
a) Cash on hand		2,443.71		3
b) Credit balances held at central banks		66,074,011.90		31,509
of which: at the German *Bundesbank* (German Central Bank) EUR 66,074,011.90 (11/30/2013 TEUR 31,509)				
c) Credit balances held at post giro offices		-.--	66,076,455.61	31,512
2. Receivables from banks				
a) Due upon demand			118,226,109.49	331,737
b) Other receivables			3,083,839,114.27	2,960,425
3. Receivables from clients			246,530,722.21	178,462
4. Trading portfolio			5,143,544,160.09	9,983,374
5. Equity investments			1,353,556.37	368
of which: in banks EUR 217,842.30 (11/30/2013 TEUR 218)				
6. Equity investments				
a) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		2,413.20		2
b) Prepayments		-.--	2,413.20	-
7. Tangible assets			1,568,047.66	2,111
8. Other assets			21,008,767.78	19,413

9. **Prepaid and deferred items**	3,652,678.65	1,332
10. **Excess of plan assets over post-employment benefit liability**	8,681,171.00	7,447
Total assets	8,694,483,196.33	13,516,183

				Liabilities and Equity Capital
	EUR	EUR	EUR	11/30/2013 TEUR
1. Liabilities owed to banks				
a) Payable on demand			865,988,443.63	909,614
b) Having an agreed term or notice period			21,326,193.29	15,244
2. Liabilities owed to clients				
Other liabilities				
Payable on demand	1,128,955,641.49			1,122,070
Having an agreed term or notice period	774,154,576.92	1,903,110,218.41	1,903,110,218.41	815,986
3. Securitized liabilities				
Other securitized liabilities		-.--		74,446
3a Trading portfolio			5,114,149,199.30	9,905,293
4. Other liabilities			137,377,109.27	20,585
5. Deferred income			273,181.94	246
6. Accrued liabilities				
a) Pension and similar obligations		4,156,787.88		4,425
b) Other accrued liabilities		37,998,412.19	42,155,200.07	44,510
7. Funds for general bank risks as defined in § 340e (4) HGB			19,622,865.34	13,283

8. Equity capital				
a) Subscribed capital				
aa) registered share capital	210,569,889.00			210,570
ab) silent partner capital	122,710,051.49	333,279,940.49		122,710
b) Capital reserve	196,257,110.73	196,257,110.73		196,257
c) Earnings reserves				
ca) legal reserve	33,027,197.15			33,027
cb) reserves for treasury shares	-.--			-
cc) reserves required by articles of association	-.--			-
cd) other earnings reserves	27,916,536.71	60,943,733.86		27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)		-.--	590,480,785.08	590,481
Total liabilities and equity capital			8,694,483,196.33	13,516,183

	EUR	EUR	11/30/2013 TEUR
1. Contingent liabilities			
a) Contingent liabilities from guarantees and warranty commitments	475,563,827.24		545,166
b) Contingent liabilities for security provided on behalf of third parties	-.--	475,563,827.24	-
2. Other obligations			
Irrevocable lines of credit	731,764,478.63	731,764,478.63	732,908

Income Statement
for the period of December 1, 2013 through November 30, 2014
Citigroup Global Markets Deutschland AG, Frankfurt am Main

	EUR	EUR	EUR	12/1/2012-11/30/2013 TEUR
1. Interest income from				
a) Loans and money market transactions	11,264,712.85			16,961
b) Fixed-income securities and debt registered claims	-. --	11,264,712.85		16,961
2. Interest expenses		6,553,961.60	4,710,751.25	11,301
3. Current income from				
a) Shares and other variable-yield securities		19,808.00		309
b) Equity investments		1,700.00		3
c) Interests in affiliated enterprises		-. --	21,508.00	-
4. Commission income		189,579,381.38		125,586
5. Commission expenses		3,007,913.10	186,571,468.28	1,854
6. Net income from financial trading operations			57,059,217.01	35,068
included therein are deposits into a special accounts per § 340g HGB EUR 6,339,913.01				
7. Other operating income			25,323,538.70	11,394
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	59,837,763.61			66,587
ab) social security contributions, pension and welfare expenses	5,143,132.91	64,980,896.52		7,792
of which: for pensions EUR 1,690,015.28 (12/1/2012-11/30/2013 TEUR 4,319)				
b) andere Verwaltungsaufwendungen		74,409,043.16	139,389,939.68	76,631
9. Depreciation, amortization and write-downs of tangible and intangible assets			638,228.42	722
10. Other operating expenses			7,586,144.12	11,595
11. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves		420,100.00		245
12. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves		100,530.28	100,530.28	100

13. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		-.--	-
14. Results from ordinary operations		125,752,601.30	12,694
15. Extraordinary income		-. --	-
16. Extraordinary expenses		-. --	-
17. Extraordinary result		-. --	0
18. Taxes on income and earnings	81,338.28		289
19. Other taxes, to the extent not included in item 10	-.--	81,338.28	-
20. Income from loss transfers		-. --	-
21. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		125,671,263.02	12,405
22. Annual net income		-. --	-
23. Profit carried forward/loss carried forward from prior year		-. --	-
		-. --	-
24. Transfers from capital reserves		-. --	-
		-. --	-
25. Transfers from earnings reserves			
a) from legal reserve	-. --		-
b) from reserve for treasury shares	-. --		-
c) from reserves required by the Bank's articles of association	-. --		-
d) from earnings reserves	-. --	-. --	-
		-. --	-
26. Transfers from capital participation rights		-. --	-
		-. --	-
27. Transfers to earnings reserves			
a) to legal reserve	-. --		-
b) to reserve for treasury shares	-. --		-
c) to reserves required by the Bank's articles of association	-. --		-
d) to other earnings reserves	-. --	-. --	-
		-. --	-
28. Replenishment of capital with profit participation rights		-. --	-
29. Unappropriated earnings (balance sheet profit)		-. --	-

Cash Flow Statement

	2014 TEUR	Prior year TEUR
Annual Net Income	**0**	**0**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	-11,960	-6,235
Changes in accruals	6,081	-6,875
Changes in other non-cash expenses/income	6,659	4,041
Gain/loss from the sale of financial and tangible assets	-	2
Other adjustments (in net terms)	-11,322	-10,214
Subtotal:	**-10,542**	**-19,281**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	90,096	229,266
- from clients	-68,389	115,350
Debt securities and other fixed-income securities	-	-
Trade portfolio assets	4,839,830	-4,283,004
Other assets from current operating activities	-3,916	-5,633
Liabilities:		
- owed to banks	-37,543	-121,154
- owed to clients	-34,946	-89,636
Securitized liabilities	-74,447	-3,583
Trading portfolio liabilities	-4,791,144	4,231,198
Other liabilities from current operating activities	129,248	11,448
Interest and dividend payments received	17,453	22,360
Interest paid	-6,128	-11,856
Income tax payments	-2	-289
Cash flow from current operating activities	**49,570**	**75,186**
Payments received from the sale of		
- Financial assets	470	8,121
- Tangible assets	35	26
Payments made for investments in		
- Financial assets	-2,975	-1,527
- Tangible assets	-130	-201
Payments received from the sale of consolidated companies and other business units	-	0
Payments made for the purchase of consolidated companies and other business units	-	0
Change in cash resources based on investing activities (in net terms)	-	0
Cash flow from investing activities	**-2,600**	**6,419**
Payments received from contributions to equity capital (capital increases, sale of own shares, etc.)	-	0
Payments made to company owners:		
- Dividend payments	-12,405	-53,372
- Other outgoing payments	-	0
Changes in cash resources other capital (in net terms)	-	511
Cash flow from financing activities	**-12,405**	**-52,861**
Cash and cash equivalents at the end of the previous period	**31,512**	**2,768**
Cash flow from current operating activities	49,570	75,186
Cash flow from investing activities	-2,600	6,419
Cash flow from financing activities	-12,405	-52,861
Cash and cash equivalents at the end of the period	**66,077**	**31,512**

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Subscribed capital TEUR		Capital reserve TEUR	Earnings reserves TEUR	Unappro-priated profit/loss TEUR	Total equity capital TEUR
	Share capital	Silent partner capital				
Per November 30, 2013	210,570	122,710	196,257	60,944	-	590,481
Capital increases/ sale of own shares	-	-	-	-	-	-
Capital reductions/share repurchases	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Annual result 2014	-	-	-	-	-	-
Per November 30, 2014	210,570	122,710	196,257	60,944	-	590,481

The earnings reserves are made up of the legal reserves totaling TEUR 33,027 and other earnings reserves totaling TEUR 27,917.

Citigroup Global Markets Deutschland AG
Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2014

1. Bases of the Accounting

Citigroup Global Markets Deutschland AG, Frankfurt am Main ("CGMD"), is a German stock corporation with its registered offices in Frankfurt am Main. Since June 10, 2010, it has been recorded in the commercial register of the District Court of Frankfurt am Main under registration number HRB 88301.

The fiscal year begins on December 1 and ends on November 30 of the following year.

The subscribed capital of CGMD includes the registered share capital of EUR 210.6 million as well as a capital contribution from an undisclosed (silent) partner in the amount of EUR 122.7 million. The registered share capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main.

The annual financial statements for fiscal year 2014 were prepared in accordance with the German Banking Act (KWG), the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

2. Accounting and Valuation Methods

Commercial law requirements concerning the valuation of ownership and liability items and relating specifically to banks were observed in the valuation of the assets and liabilities.

The valuation (recognition) of **financial instruments in the trading portfolio** is done at fair value less a risk discount in accordance with sentence one of § 340e (3) HGB. The financial instruments are initially recognized at their cost of acquisition. In accordance with an official statement (RS BFA 2) of the Institute of Public Auditors in Germany (IDW), the follow-up valuation at fair value is based on the value at which competent parties, who are independent of one another but wish to contract, could exchange an asset or pay a liability and is performed pursuant to the hierarchical order of valuation criteria set forth in § 255 (4) HGB. Any financial instruments, for which no active market exists, will be valued using generally accepted valuation methods (above all, option pricing models). In general, these methods are based on estimates of future cash flow while taking into account any risk factors that may apply. The most important factors are the price of the underlying, implicit volatilities, yield curves and dividend forecasts. Where the stock market price is used in the valuation, the average stock market price shall apply.

As of November 30, 2014, the risk discount equaled TEUR 177.0 for the foreign currency risk trading book, TEUR 8,244.0 for the equities and index risk trading book, and TEUR 425.0 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a “market value adjustment” totaling TEUR 797.3, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

The trading portfolio in foreign currencies is valued using the foreign exchange rates published by the European Central Bank.

Money market transactions are recognized at their face value or settlement amount. Money market transactions in foreign currencies are measured on the basis of § 256a HGB in combination with § 340h HGB.

Receivables from banks are stated at the repayment amount plus accrued interest. No write-downs were required in the fiscal year.

Receivables from clients are recorded at the repayment amount plus accrued interest less any allowances established to cover loan-related risks.

Equity investments are stated at their cost of acquisition less unscheduled write-downs.

Only **intangible assets,** which have been acquired for consideration, are stated at the costs of acquisition less straight-line amortization. In the event of a permanent impairment, an unscheduled write-down is taken.

Tangible assets are stated at acquisition cost less straight line-depreciation. In the event of a permanent impairment, an unscheduled write-down is taken.

Liabilities owed to banks and **liabilities owed to clients** are stated at their settlement amount [*Erfüllungsbetrag*] plus accrued interest.

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of six ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness known as a "*Schuldschein*") and a face value totaling TEUR 50,000.0. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,436.0 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions [*Schuldscheindarlehen*] resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 13,101.4 higher than the book value. The Bank applies the net hedge presentation method [*Einfrierungsmethode*] for the hedge established under § 254 HGB. It intends to preserve the hedge until the underlying transactions expire. The prospective and retrospective effectiveness testing is done using the critical term match method.

The micro-hedge in place at the end of 2013 between a receivable and a loan participation note was closed out on April 7, 2014 because the underlying transaction and hedge both fell due.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on by affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2014, CGMD had calculated an amount of TEUR 862.0 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

In order to calculate the present cash value, a projected discount rate of 4.59 % based on a 15-year term in accordance with the rules of the German Act to Modernize Accounting Law (BilMoG) was used as the basis. Future salary and wage increases were estimated at 2.25%, and at the same time, a 1.8% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables

As part of the efforts to hedge the pension commitments, the Bank purchased or was contractually promised units in the **Rose** fund at costs of acquisition equaling TEUR 100,256.2. In addition, liquid funds [*liquid Mitteln*] totaling TEUR 4,523.1 were transferred to Citibank Pensionsfund e. V. **Assets and liabilities were netted** in accordance with § 246 (2) sentence 2 HGB.

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 13,407.4 (prior year: TEUR 10,213.8), while the change in the fair value of the plan assets resulted in income of TEUR 10,198.7 (prior year: TEUR 6,630.2). These earnings components are netted and then reported under other operating expenses.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 164,760.2 (prior year: TEUR 154,561.5). The settlement amount of the pension obligations - which equaled TEUR 156,079.1 (prior year: TEUR 147,114.2) - was netted in this same amount against the plan assets. The plan assets exceeding the settlement amount as of the balance sheet date were TEUR 8,681.2 and were reported under the item “Excess of plan assets over post-employment benefit liability” (prior year: TEUR 7,447.3).

Pension obligations also exist under the PAS, PRS and Deferred Compensation plans, which resulted from bonus conversions.

The obligations resulting from the **PAS and Deferred Compensation** plans are linked to the fair value of the relevant fund.

The acquisition costs of the fund units in the PAS Fund (**Sondervermögen PAS)** equal TEUR 4,631.4. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,928.6 (prior year: TEUR 9,492.3). The settlement amount of the liabilities to be netted equaled TEUR 9,928.6 (prior year: TEUR 9,492.3).

In the current fiscal year, the interest accrued on the liabilities yielded an expense in the amount of TEUR 437.3 (prior year: interest income of TEUR 1,976.4), and the change in the fair value of the plan assets resulted in income of TEUR 437.3 (prior year: TEUR 1,976.4). These components of the result are netted and reported under other operating income.

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 9,209.2. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,325.4 (prior year: TEUR 10,217.3). The settlement amount of the liabilities to be netted equaled TEUR 10,325.4 (prior year: TEUR 10,217.3).

In the current fiscal year, the discounting of the obligations generated an expense in the amount of TEUR 3.7 (prior year: interest expense of TEUR 37.7), and the change in the fair value of the plan assets yielded income of TEUR 3.7 (prior year: income TEUR 37.7). These components of the result are netted and reported under other operating income.

In connection with hedging the obligations under the bonus conversion, the Bank purchased units of the **PRS** Fund at costs of acquisition equaling TEUR 37,657.9, and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current fiscal year, the accrual of interest on the pension obligations generated an expense totaling TEUR 3,406.4 (prior year: TEUR 2,870.5). In connection with the standard allocation [*Regelzuführung*], an expense was generated in the amount of TEUR 160.0 (prior year: expense TEUR 1,004.6). The change in the fair value of the plan assets resulted in income of TEUR 1,958.9 (prior year: income TEUR 1,612.2). Current income in the amount of TEUR 1,100.8 (prior year: TEUR 1,190.4) was also generated. These components of the result are netted and reported under other operating expenses.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 43,973.4 (prior year: TEUR 40,598.7). The settlement amount of the pension obligations to be netted was TEUR 48,130.2 (prior year: TEUR 45,023.4) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 4,156.8 (prior year: TEUR 4,424.7) and was reported under the item "pensions and similar obligations".

All netted assets consist of liquid funds or units of equity funds. The funds are managed exclusively by outside asset managers, who invest the funds by purchasing publicly listed securities according to prescribed investor guidelines. The applied fair value for the assets is based on the overview of the individual fund assets as provided by the respective manager. Alternative valuation methods are not applied.

All funds are outsourced under trusts or other fiduciary arrangements [*Treuhänderschaften*] and are therefore removed from the grasp of creditors in the event of a CGMD insolvency.

Accrued liabilities for contingent liabilities and for potential losses from open business transactions are valued at the settlement amount required on the basis of sound business judgment [*vernünftiger kaufmännischer Beurteilung*].

The other accrued liabilities or provisions have a term to maturity of less than one year, except for the obligations under a phased retirement plan [*Altersteilzeitverpflichtungen*], employee anniversaries and early retirement obligations.

On the balance sheet date, the settlement amount for the early retirement obligations equaled TEUR 6,121.5. The fair value of the pledged reinsurance policies in the amount of TEUR 2,657.0 was netted against the settlement amount of the early retirement obligations. The settlement amount exceeding the plan assets on the settlement date and totaling TEUR 3,464.5 was shown under the line item, "Other provisions". In the current fiscal year, an expense in the amount of TEUR 0.2 results from the accrual of interest on the obligations, while income in the amount of TEUR 0.1 is yielded from a change in the fair value of the plan assets. These components of the result are netted and reported under other operating expenses.

In light of the examination conducted to meet the requirements of setting aside a provision for threatened losses resulting from interest rate-driven transactions in the banking book [*Bankbuch*] (whether reported on the balance sheet or not) pursuant to § 340a in combination with § 249 (1) sentence 1, Alt. 1 HGB, CGMD applies the cash value approach in accordance with IDW's official statement RS BFA 3.

The items, which are included in the loss-free valuation, relate to typical bank contractual relationships arising from the deposits and lending business and cover the entire CGMD banking book, including off-balance sheet transactions.

The future cash flow resulting from such transactions as well as the risk and administrative costs are discounted to present value on the basis of a risk-free yield curve after converting into the reporting currency, if required.

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their contractually prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank's own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a risk-free rate. Viewed as of November 30, 2014, the fictitious closeouts have little effect on the present cash value reported in the banking book. The applied risk costs recognized in the banking book were calculated using a scenario computation taken from risk management. The administrative costs were derived from the internal accounts.

The calculation as of November 30, 2014 yielded no need for setting aside a provision to cover threatened losses from the valuation of interest-rate driven transactions.

The **total sum of the amounts, which are barred from payout distribution** within the meaning of § 268 (8) HGB (§285 no. 28 HGB) and which equals TEUR 72,709.8 (prior year: TEUR 70,328.4), results entirely from the capitalization of the plan assets at fair value in the amount of TEUR 228,987.6. Freely available provisions exceed the total sum of the amounts which are barred from payout distribution.

Accruals are set aside in the balance sheet for **contracts and pending legal disputes**, which could have an adverse effect on CGMD's financial condition.

Income and **expense** items are duly allocated to the period in which they were generated.

In accordance with § 256a HGB, **foreign currency positions** were converted into Euros at the exchange rate set by the ECB on the reporting date and published by the German *Bundesbank* system (average spot exchange rate).

3. Notes on the Balance Sheet

a) Fixed asset movement schedule

	Original acquisition costs	Reversal of write-downs (cumulative write-ups)	Accumulated depreciation, amortization and write-downs	Book values

	Nov. 30, 2013	Additions (Disposals) Reposting	Nov. 30, .2013	Additions	Nov. 30, 2013	Additions (Disposals) Reposting	Nov. 30, 2014	Nov. 30, 2013
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets acquired for consideration	5,541	(328)	-	-	5,539	- (328)	2	2
Office and plant equipment	9,236	123 (469)	-	-	8,309	312 (467) -	736	926
Leasehold improvements	13,852	7	-	-	12,700	327	832	1,151
Construction in progress	34	(34)	-	-	-	-	-	34
Equity investments	368	986	-	-	-	-	1,354	368
Total	29,031	285	-	-	26,548	(156)	2,924	2,481

Any and all intangible and tangible assets (office and plant equipment as well as leasehold improvements) were used by CGMD itself.

b) Assets based on terms to maturity

Receivables from banks	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
a) payable on demand	118,226	331,737
b) up to three months	3,083,600	2,885,699
c) more than three months and up to one year	-	73,470
d) more than one year and up to five years	-	-
e) more than five years	-	-
accrued interest	239	1,255
	3,202,065	3,292,161

Receivables from clients	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
a) up to three months	134,685	132,672
b) more than three months and up to one year	76,990	10,924
c) more than one year and up to five years	34,000	34,000
d) more than five years	-	-
accrued interest	856	866
	246,531	178,462

Liabilities owed to banks	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
a) payable on demand	865,818	909,337
b) up to three months	21,326	15,243
c) more than three months and up to one year	-	-
d) more than one year and up to five years	-	-
accrued interest	171	278
	887,315	924,858

Liabilities owed to clients	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
payable on demand	1,128,953	1,122,070
a) up to three months	723,902	762,710
b) more than three months and up to one year	-	3,000
c) more than one year and up to five years	20,000	10,000
d) more than five years	30,000	40,000
accrued interest	255	276
	1,903,110	1,938,056

Securitized liabilities	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
a) issued debt securities		
less than one year	-	73,470
more than one year and up to five years	-	-
more than five years	-	-
accrued interest	-	977
b) miscellaneous securitized liabilities		
less than one year	-	-
more than one year and up to five years	-	-
	-	74,447

c) Receivables from, and liabilities owed to, affiliated enterprises

	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
Receivables from banks	1,492,622	320,462
Receivables from clients	1,544	15,613
Other assets	2,713	8,857
Liabilities owed to banks	726,938	510,838
Liabilities owed to clients	750,133	746,433
Other liabilities	132,922	12,405

d) Assets and liabilities denominated in foreign currencies

	Nov 30, 2014	Nov 30, 2013
	TEUR	TEUR
Assets	90,385	2,134,766
Liabilities	657,321	2,482,523

e) Other notes

The equity investments totaling TEUR 1,353.6 (prior year: TEUR 367.8) are not eligible for stock market listing. In the fiscal year, CGMD sold an electronic trading platform, which was used for selling and distributing its own products, to Börse Stuttgart Cats GmbH, Stuttgart, and acquired a 9.9% holding in that company in the amount of TEUR 985.7. The sale yielded proceeds for CGMD in the amount of TEUR 9,725.3 (excluding VAT).

The asset item shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 4,395,404.6 (prior year: TEUR 9,259,342), debt securities and other fixed-income securities in the amount of TEUR 502,854.1 (prior year: TEUR 481,991), and shares including, *inter alia*, variable-yield securities in the amount of TEUR 245,285.5 (prior year: TEUR 242,041)). Of the debt securities and other fixed income securities, TEUR 502,854.1 (prior year: TEUR 481,991) were eligible and listed for trading on a stock market. Of the shares and variable-yield securities, TEUR 245,285.5 (prior year: TEUR 242,041) were eligible and listed for trading on a stock market.

The item shown as other assets in the amount of EUR 21.0 million (prior year: EUR 19.4 million) includes primarily tax receivables of EUR 9.4 million (prior year: EUR 8.2 million), initial margin payments made and totaling EUR 7.1 million (prior year: EUR 7.0 million), claims under reinsurance policies of EUR 3.1 million (prior year: EUR 2.6 million) and receivables under intra-group compensation invoices totaling EUR 1.1 million (prior year: 1.5 million).

The liability item shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of TEUR 4,481,753.3 (prior year: TEUR 9,332,817) and liabilities arising from issued and outstanding debt securities in the amount of TEUR 632,395.9 (prior year: TEUR 572,477).

The securitized liabilities, which were linked to loans made to clients, fell due on April 7, 2014. The hedge pursuant to § 254 HGB was closed-out.

The item, other liabilities, in the amount of EUR 137.4 million (prior year: EUR 20.6 million) relates primarily to liabilities under the profit transfer obligation and totaling EUR 125.7 million (prior year: EUR 12.4 million), liabilities arising from the restructuring and totaling EUR 2.6 million (prior year: EUR 4.0 million) and value added tax in the amount of EUR 1.9 million (prior year: EUR 1.7 million).

The item entitled "other accrued liabilities" relates primarily to provisions made for restructuring, bonuses and early retirement obligations. Provisions for restructuring during the course of the fiscal year equaled EUR 2.6 million (prior year: EUR 3.4 million). Provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 15.5 million (prior year: EUR 21.2 million. Provisions for early retirement equaled EUR 3.5 million (prior year: EUR 3.0 million) after setting-off the pledged re-insurance policies in the amount of EUR 2.7 million (prior year: EUR 2.6 million).

An affiliated enterprise has contributed silent partner capital in the amount of EUR 122.7 million (prior year: EUR 122.7 million). The silent partner's share of the profits in fiscal year 2014 was EUR 45.8 million, which will be allocated in its entirety to the silent partner.

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of EUR 475.6 (prior year: EUR 545.2 million). The Bank believes that the likelihood that claims will be made under the guarantees and warranty contracts, which are shown in the balance sheet, is small due to the current credit-standing of the beneficiaries. We have found no evidence that would compel us to reach a different conclusion.

Of the irrevocable credit lines granted in the amount of EUR 731.8 million (prior year: EUR 732.9 million), approximately EUR 691.8 million (prior year: EUR 678.5 million) had a term to maturity of more than one year. The lines of credit have been granted exclusively to non-banks.

As of the balance sheet date, the Bank had not engaged in any off-balance sheet transactions which fall within the meaning of § 285 no. 3 HGB and which were outside the ordinary course of business.

Transactions with related parties within the meaning of § 285 no. 21 H GB are made only on an arm's length basis.

f) Other contingent liabilities

The Bank has joined the True Sale Initiative led by the German Bank of Reconstruction and Development (*Kreditanstalt für Wiederaufbau*), located in Frankfurt am Main, and has committed to making a capital contribution to the company servicing the securitization platform. The contribution obligation is limited to EUR 1.9 million.

The Company also has an obligation to provide additional funding in the amount of TEUR 1,700 to Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung, Frankfurt/Main. This contribution equals five times the amount of its participating interest, which is TEUR 340.

In addition, under a type of absolute guarantee [*selbstschulderische Bürgschaft*], the Bank has assumed secondary liability for the performance of the additional funding obligations of the other member banks of the banking association known as Bundesverband deutscher Banken e.V, Berlin.

Moreover, since 2009, the Bank has taken the opportunity of participating in the credit filing system [*Krediteinreichungsverfahren*] of the German Central Bank [*Bundesbank*], Frankfurt am Main, pursuant to which the credit commitment on file serves as security for the cash funds received. CGMD did not participate in the credit filing system in the fiscal year.

The Bank will also be liable under the debt assumption agreements with Citibank N.A. in New York, the Frankfurt Branch, and Citigroup Global Markets Finance Corporation & Co. KG, Frankfurt, dated November 30, 2011 in connection with the benefits owed for the pension commitments. Commensurate indemnity payments, the amount of which tracks the period of service expense, have been contractually promised by the contracting partners.

4. Notes on the Income Statement

The income and expenses included in the income statement were generated from both domestic and foreign business sources.

Net interest income totaled EUR 4.7 million (prior year: EUR 5.6 million). The persistently low interest rates, the negative return made on deposits with the ECB as well as the weak demand for loans kept net interest income at a low level relative to the overall result. The Bank reported negative returns under interest income.

Commission income was EUR 189.6 million (prior year: EUR 125.6 million). This amount includes primarily brokerage commissions of EUR 145.0 million (prior year: EUR 79.6 million) from affiliated enterprises, commissions on securities transactions, and Eurex products. The reason for the increase in the commission income can be attributed to a review of fiscal years 2005 – 2014, which was carried out in 2014 and related to the transfer prices charged within Citi. Based on this one-time effect, the Bank reported income in net terms of EUR 85.9 million in fiscal year 2014.

Commission expenses climbed by EUR 1.1 million to EUR 3.0 million (prior year: EUR 1.9 million). This increase can be attributed mostly to intra-group cost sharing for relationship management.

The net income of the trading portfolio resulted primarily from gains and losses of the currency risk trading book in the amount of TEUR 10,523.3 (prior year: EUR 15,208.1) and of the equities and index risk trading book in the amount of TEUR 53,435.8 (prior year: TEUR 33,107.1). The loss reported in the other trading book equals TEUR 562.2 (prior year: TEUR 9,368.4) and consists mostly of results from warrants traded on commodities and precious metals and from exchange-traded precious metal futures. The result in the interest rate risk trading book is TEUR 2.2 (prior year: TEUR 18) and includes results from interest rate swap agreements.
Under the item net income of the trading portfolio, an amount of EUR 6.3 million (prior year: EUR 3.9 million) was deducted pursuant to § 340e (4) HGB and then added to the fund for general bank risks in accordance with § 340g HGB.

Other operating income equaled EUR 25.3 million (prior year: EUR 11.4 million) and included mostly income from reinsurance claims [*Rückdeckungsansprüchen*] in the amount of EUR 2.5 million, income from the sale of the CATS trading platform for EUR 9.7 million and income of EUR 9.5 derived from passing-through costs to affiliated enterprises. The item "other operating income" includes income, which is unrelated to the accounting period, in the amount of EUR 0.1 million (prior year: EUR 0.1 million).

Personnel expenses fell by EUR 9.4 million to EUR 65.0 million (prior year: EUR 74.4 million). The change can be traced mostly to the decrease in the expenses incurred for bonuses.

The other administrative expenses total EUR 71.4 million (prior year: EUR 76.6 million) and consist primarily of processing costs of Citibank N.A., London, custody fees, rents and costs for the listing of derivative products.

The other operating expenses equaled EUR 7.6 million (prior year: EUR 11.6 million) and included mostly expenses and income (net) from valuing the plan assets [*Pensionsdeckungsvermögens*] and the pension obligations in the amount of EUR 3.9 million (prior year: EUR 5.9 million) and losses from selling loan commitments and receivables in the amount of EUR 0.6 million (prior year: EUR 5.7 million)

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In the fiscal year, the Bank booked taxes on income and earnings from earlier years in the amount of EUR 0.1 million (prior year: EUR 0.3 million).

Effective as of the end of fiscal year 2008, the tax allocation agreement that had been in place with Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, was terminated. The expenses incurred for domestic taxes are still shown at the level of the tax group parent company [*Organträger*].

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, in the amount of EUR 79.9 million and to the silent partner in the amount of EUR 45.8 million.

5. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2014 includes:

a) Annual audit services	EUR 819,088.00
b) Other consulting services	EUR 132,405.00
c) Tax advisory services	EUR 0.00
d) Miscellaneous services	EUR 15,000.00
e) Total	EUR 966,493.00

6. Notes on Derivative Transactions

a) Types of derivative transactions

As of November 30, 2014, the Bank's derivative transactions included the following types of transactions:

aa) Trading transactions

aaa) Foreign currency risk trading book: OTC currency option transactions and currency warrants.

aab) Equities and index trading book: equities and other variable-yield securities in the trading portfolio, OTC equities and index options, equities and index warrants, exchange-traded futures and options on e quities and equity indexes, as well as index certificates and equity certificates.

aac) Interest risk trading book: interest rate swap agreements.

aad) Other trading book: exchange-traded precious metal futures and warrants on commodities and precious metals.

b) Maturities of derivatives

The total volume of derivative transactions can be classified according to maturities per November 30, 2014:

ba) Foreign currency risk trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC currency options					
Bought	53	4	-	57	1.3
Sold	1		-	1	-
Currency warrants					
Own issues					
Bought	1,270	278	-	1,548	73.3
Sold	1,494	306	-	1,800	./.76.1
Exchange-traded futures					
Sold	1	-	-	1	-

The foreign currency risk trading book consists primarily of options on the price of gold. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term).

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bb)Equities and index trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity warrants					
Own issues					
Bought	5,681	3,733	-	9,414	1,892.1
Sold	7,050	4,367	-	11,417	./. 1,992.5
Third party index warrant issuers					
Bought	50	-	-	50	4.1
OTC equity options					
Bought	-	4	-	4	0.6
OTC index options					
Bought	6	5	-	11	4.5
Sold	3	4	-	7	./. 4.0
Index warrants					
Own issues					
Bought	12,464	8,979	-	21,443	2,351.6
Sold	13,444	9,194	-	22,638	./ 2,394.9
Third party equity warrant issuers					
Bought	1	-	-	1	0.2
Exchange-traded index futures					
Bought	353	-	-	353	3.5
Sold	333	-	-	333	./. 4.5

Exchange-traded index options					
Bought	417	43	-	460	10.3
Sold	63	8	-	71	./. 1.3

	< 1 year Nominal amount	**1-5 years Nominal amount**	**> 5 years Nominal amount**	**Total Nominal amount**	**Market value**
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded stock options					
Bought	1,027	277	-	1,304	61.9
Sold	97	5	-	102	./. 3.1
Index and equity certificates					
Own issues					
Bought	46	2	-	48	502.9
Sold	108	10	-	118	./. 632.4

The Equities and index trading book includes mostly options on European and American stocks and options on European and American exchange indexes. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term.

bc) Interest rate risk trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Interest rate swap agreements					
Bought	-	5	-	5	0.8
Sold	-	5	-	5	./.0.8

The interest rate risk trading book includes an interest swap, which exhibits exactly identical but countervailing basic [*gegenläufige Grunddaten*] data (hedge). The cash flows anticipated from the derivatives cancel each other out.

bd) Other trading operations

	< 1 year Nominal amount EUR in millions	1-5 years Nominal amount EUR in millions	> 5 years Nominal amount EUR in millions	Total Nominal amount EUR in millions	Market value EUR in millions
Warrants on commodities and precious metals					
Own issue					
Bought	16	20	-	36	7.8
Sold	28	23	-	51	./. 8.2
Exchange-traded precious metal futures					
Bought	1	-	-	1	0.1
Sold	1	-	-	1	-

The other trading operations trading book includes above all options on the price of oil and silver. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term).

c) Counterparty credit risk in derivatives trading

As of November 30, 20 14, the credit equivalents, as defined in the German Solvency Ordinance (SolvV) before credit risk weighting and after regulatory netting, are as follows:

Credit risk	Companies and individuals and public bodies, including central banks from Zone B	Credit institutions from Zone A	Credit institutions from Zone B
Product group	Risk-weighted credit equivalent in EUR '000		
Foreign currency risk and other price risks trading book	-	229,726	-
Other trading transactions	12,808	12,298	-
Total	12,808	242,025	-

d)) Non-settled forward transactions

In connection with the option transactions, CGMD books the premium on the trade date. On the balance sheet date, this practice results in obligations arising from forward transactions that have not yet settled and that are reported in the trade balance sheet for currency risks, equity and index risks and other risks.

7. Miscellaneous notes

CGMD is included in the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Reuterweg 16, 60323 Frankfurt am Main, which is where the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG can also be obtained. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is included in the consolidated financial statements of Citigroup Inc., 153 East 53rd Street in New York, as the ultimate group parent company, which is where the Citigroup consolidated financial statements can also be obtained.

Since 2001, CGMD has had a branch in London, which carries out primarily warrant transactions.

The CGMD Executive Board consist of the following members

Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director,
Stefan Hafke, Kelkheim, Bank Director since October 1, 2014,
Dr. Nikolaus Närger, Stuttgart, Bank Director through December 31, 2013,
Samuel R. Riley, Budapest, Bank Director,
Christian Spieler, Bad Homburg, Bank Director,
Heinz Peter Srocke, Hanau, Bank Director,
Stefan Wintels, Frankfurt am Main, Bank Director.

The Supervisory Board consists of the following members:

Hans W. Reich, Kronberg, Bank Director, Chairman,
Bradley Gans, London, Bank Director, Deputy Chairman,
Reiner Henszelewski, Frankfurt am Main, Salaried Bank Employee, Employee Representative through March 27, 2014

Tim Färber, Kelsterbach, Salaried Bank Employee, Employee Representative since March 28, 2014

During fiscal year 2014, the Bank employed an average of 264 persons. The average period of employment for staff members as of November 30, 2014 was as follows:

138	Employees	up to 5 years
43	Employees	6-10 years
54	Employees	11-20 years
32	Employees	21 years or more
267		

In the fiscal year, total remuneration (including stock options granted) of the Executive Board was TEUR 5,677.4. Pension obligations totaled approximately TEUR 1,997.5. In the reporting year, total remuneration (including stock options exercised) of former members of management bodies and their survivors totaled approximately TEUR 1,077.7. Liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 41,515.6.

On the basis of the equity-based remuneration, approximately 35 thousand shares amounting to USD 1,753.6 thousand were granted as variable compensation.

In fiscal year 2014, supervisory board remuneration totaling TEUR 37.8 was granted. The Company has exercised its elective right under § 286 (4) HGB regarding disclosures about provisions for current pensions and pension expectancies [*Anwartschaften*] of the supervisory board members under § 285 (9)b.

In fiscal year, the members of the advisory board [*Beirat*] were paid compensation totaling TEUR 427.5.

At year end, there were no outstanding loan obligations owed by members of the Executive Board of CGMD.

Until May 22, 2013, Hans W. Reich had been chairman of the supervisory board of Aareal Bank AG.

Frankfurt am Main, February 19, 2015

Citigroup Global Markets Deutschland AG

Dr. Jasmin Kölbl-Vogt	Stefan Hafke
Samuel R. Riley	Christian Spieler
Heinz P. Srocke	Stefan Wintels

Report from the Supervisory Board of Citigroup Global Markets Deutschland AG

Throughout the fiscal year, the Supervisory Board continually received verbal and written reports from the Executive Board about the condition of the Company and its business development. The Supervisory Board Chairman solicited regular, timely and comprehensive reports from the Executive Board about the course of business and key developments at the Bank and in the Group and monitored them even between meetings. The focal issues here included, among other things, the Company's strategic plan and the outsourcing of services and the allocation of costs and activities within the Group. The Supervisory Board also addressed numerous legislative and regulatory changes, for example the implementation of the remuneration rules under the CRD IV Directive. Thus, in accordance with the statutory provisions, it monitored the Company's management.

The Supervisory Board held four regular meetings during the reporting year. The Supervisory Board also held two special meetings which addressed the sale of certain business activities and the liquidation of investment holdings as well as the status and progress of the transfer pricing project and various internal and external audits. The subject matter of all the regular Supervisory Board meetings were the regular reports from the Executive Board on the current condition of the Company. The Supervisory Board also adopted resolutions pursuant to the circulated resolution approval procedure [*Umlaufverfahren*], which was used in approving, *inter alia*, the appointment of Stefan Hafke to the Executive Board. The Supervisory Board had to accept the resignation of Executive Board member Dr. Nikolaus Närger, which went into effect at the end of 2013; the Supervisory Board helped provide some continuity within the Company leadership by appointing Mr. Stefan Wintels to serve as the Chairman of the Company's Executive Board.

Given its size, the Supervisory Board did not form any separate committees. It does, however, regularly participate in the Audit Committee meetings, which are held as part of the Group's corporate governance process.

The members of the Supervisory Board took part under their initiative in educational and training programs required for them to perform their tasks. At the same time, the Supervisory Board Chairman received guidance from outside experts on complex topics such as risk management and accounting and was provided with an outlook concerning the upcoming regulatory, accounting and legal issues for 2015.

The annual financial statements and management report for fiscal year ending November 30, 2014, including the bookkeeping system, were audited by KPMG AG

Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and were found to comply with the applicable statutory provisions and the Company's articles of association. The annual financial statements and management report were issued an unqualified audit opinion. We agree with the audit report.

Based on the completed results from the audit of the annual financial statements and management report as undertaken by the Supervisory Board, there have been no objections raised. At its meeting on March 3, 2015, the Supervisory Board approved the annual financial statements as per November 30, 2014 and submitted by the Executive Board as well as the management report.

During the fiscal year ending November 30, 2014, Mr. Reiner Henszelewski resigned from the Supervisory Board effective March 27, 2014 when his term of office expired. The new employee representative on the Supervisory Board is Tim Färber.

The Supervisory Board thanked the Executive Board members and the employees for their commitment and contributions in the pursuit of the Company's goals.

Frankfurt am Main, March 23, 2015

The Supervisory Board

Hans W. Reich
Chairman

Auditor’s Report

We have audited the annual financial statements – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and the notes to the financial statements – as well as the bookkeeping system and the management report of the Citigroup Global Markets Deutschland AG, Frankfurt am Main, for the fiscal year from December 1, 2013 through November 30, 2014. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law is the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with § 317 H GB (“Handelsgesetzbuch” or the “German Commercial Code”) and German generally accepted standards for auditing financial statements as promulgated by the Institut der Wirtschaftsprüfer (IDW) (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements and violations, which have a material effect on the presentation of the net assets, financial position and results of operations as reported in the annual financial statements prepared in accordance with German principles of proper accounting and in the management report, are detected with reasonable certainty [*hinreichender Sicherheit*]. Knowledge of the business activities and of the economic and legal environment in which the Company does business as well the expectations about possible mistakes are taken into account in determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the information contained in the books and records, the annual financial statements and the management report are examined largely on a test sampling basis during the course of the audit. The audit includes an assessment of the accounting principles used and of the significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and present, in accordance with the German principles of proper accounting, a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Company’s position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 23, 2015

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Frankfurt am Main, den 23. Februar 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pfeiffer	Shiffa
Wirtschaftsprüfer	Wirtschaftsprüferin

ANNEX II: MANAGEMENT REPORT FOR FISCAL YEAR 2013

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Citigroup Global Markets Deutschland AG

Management Report for Fiscal Year 2013

1 Background Information about the Bank

Background Information about the Bank

1.1 Organization and legal structure

Citigroup Global Markets Deutschland AG (hereinafter referred to as “CGMD” or “Bank”) is a direct, wholly-owned subsidiary of Citigroup Global Markets Finance Corporation & Co beschränkt haftende KG (hereinafter referred to as “CKG”) and has its registered offices in Frankfurt am Main, Germany. There is a profit (loss) transfer agreement in place with that company. The ultimate parent company is Citigroup Inc. (Delaware, USA).

The Citi Group (hereinafter referred to as “Citi”) has divided its worldwide business operations into “Citi Corp” and “Citi Holdings”. Citi Corp contains the group’s core business, whereas the assets held in Citi Holdings are expected to be reduced or sold off over time. CGMD, together with its listed business divisions, belong to the Citi Corp sub-group and are therefore a part of the Group’s core business. The current and future development of CGMD is influenced by the strategic development of Citi.

CGMD is headquartered in Frankfurt am Main and maintains a branch office in London. As of November 30, 2013, CGMD had 270 employees. The Bank is managed by the Executive Board, which is appointed by the Supervisory Board.

The Bank is a fully licensed bank within the meaning of § 1 (1) of the German Banking Act (“KWG”) and had a balance sheet total of EUR 13,516.2 million (per November 30, 2013).

1.2 Bank business model and strategic positioning

CGMD benefits from its integration in Citi, and maintains local business relations with about 120 core customers, including most of the DAX-listed companies. The clients, who make up the strategically selected and targeted client group, include not only the most important, globally active corporate, insurance and banking groups and the governments of the Federal Republic and the Federal States, but also other public institutions in Germany. There are also business relationships with numerous subsidiaries of international groups in Germany, which maintain in their respective home countries a business relationship with other entities belonging to the Citi Group.

The key benchmark for managing CGMD is the operating efficiency. This benchmark is constantly monitored by the Executive Board. In order to optimize this financial performance indicator, the Bank engages in active cost management.

In Germany, CGMD has all of the main staff departments (corporate governance functions) on site, including Lending, Internal Audits, Financial Control, Compliance and Anti-Money Laundering, Risk Management, Legal, Data Protection, Tax, Treasury, O&T as well as Human Resources. Various internal functions have also been outsourced to other Citi Group business entities.

CGMD strengthened its Risk Management and Internal Audits departments both qualitatively and quantitatively in 2013 in order to accord with the regulatory requirements. For operational and technical support of the processes needed to perform the services, CGMD works together with various Citi service centers located in Dublin, Warsaw and Budapest. Moreover, the technology services required by CGMD are outsourced to Citibank N.A., Frankfurt Branch (“CNAF”) and cover the areas of technology infrastructure (“CTI”) and the applications support (“ICG Technology”). CGMD also uses applications, which are set up in the global computer center network.

All operational business in Germany has been set up in CGMD. The Bank ensures the functionality of the important control and monitoring tasks in CGMD in the form of O&T Risk and Control and enhanced deployment of outsourcing managers (“Outsourcing Managers”).

In 2013, CGMD did not make any significant changes to its existing business model. The business and risk strategy was once again reviewed by the Executive Board and Supervisory Board in 2013 and the priorities contained in the strategy were not changed.

1.3 Major business divisions

CGMD is divided into four major business divisions: Corporate & Investment Banking (“CIB”), Markets, Treasury & Trade Services (“TTS”) and Securities & Funds Services (“SFS”). They represent the core business activity of CGMD.

Corporate Banking provides comprehensive support and advice to CGMD core clients and to the German subsidiaries and branch establishments of foreign companies. The latter organizations are supported and advised by the Global Subsidiary Group (“GSG”) unit. The services offered by Corporate Banking include brokering syndicated and bilateral loans and Citi products and services, as well as coordinating the product or service offerings and advising clients within the worldwide Citi network.

Investment Banking supports the clients by providing advisory services in connection with mergers and acquisitions and covers the corporate finance business including transactions in the capital markets segment.

The Markets division encompasses the business of issuing warrants, certificates, stocks and bonds, the management of foreign exchange, stock trading and the sale of structured credit and interest rate products and advising our clients in interest rate and currency risk management. Moreover, the Bank’s Risk-Treasury group has been set up in the Markets division. Of these products, only the warrants and certificates (which are issued by CGMD) and the hedges related thereto are entered on the Bank’s own books. For all other products, CGMD serves merely in a brokerage or intermediary role.

The “Treasury & Trade Services” division (TTS) offers its clients cash management, commercial cards, liquidity management and trade financing.

The products offered by “Securities and Funds Services” (SFS) include intermediary services (custody and clearing for broker dealers, universal banks and global securities firms), investor services (services in asset and wealth management) and issuer services (post-IPO services).

1.4 Internal control system

The strategic and operational decisions for CGMD are made by CGMD’s Executive Board. The Executive Board is supported and monitored by Supervisory Board. The Executive Board meets monthly and when needed, and the Supervisory Board meets quarterly. CGMD also has an Advisory Board, which likewise meets quarterly and advises CGMD on political, macroeconomic and other strategic matters. Moreover and in accordance with the internal and external policies and requirements of corporate governance, the Bank has set up various committees that monitor, access and approve all procedures and control processes. For the meetings of the Executive Board, the Supervisory Board and the other working groups, the members of those bodies are given reports about all significant activities, initiatives and risks and about the status of all areas of the business and staffing. The individual Executive Board members sit on various committees (for example, the Country Coordinating Committee, Audit Committee, New Product Committee, Governance Committee).

The Executive Board will receive from the Risk Management Department regular reports (on a daily, monthly and quarterly basis) regarding the status of significant risks of CGMD as well as daily reports from the Financial Control Department about the number of existing or newly approved large-exposure credits, drawdowns, the status of any security or collateral, legal lending limits and their utilization and any credit risk on a commitment-by-commitment basis. The Supervisory Board Chairman also attends the Executive Board meetings as a guest.

In addition to the aforementioned Committees, the Asset Liability Committee ("ALCO") meets each month to focus on balance sheet management, cash flow management and risk management of the German Citi companies. The ALCO also monitors compliance with the capital adequacy requirements and examines the legal and regulatory requirements.

The New Product Committee reviews all of the Bank's new products and the risks related thereto and approves them, if appropriate.

Significant parameters with regard to managing the CGMD business model on the basis of US GAAP accounting include regular analysis of the risk bearing capacity and - since the middle of 2013 - the calculation of the "operating efficiency" (costs versus income) for individual divisions as well as for the entire Bank. A strategic target, which the bank is seeking, is a range of 50 – 60%. The risk bearing capacity which is based on equity capital resources, is constantly reviewed and is the foundation for allocating potential risk to the individual business divisions. If necessary, adjustments to the risk limits are made. Regarding initiated risk capital limits and corresponding escalation procedures, efforts are made to ensure that during the year the risk bearing capacity is in line with the business development. Countervailing developments can therefore be anticipated early. The Bank establishes a strategic plan for a 3-year period, which Executive Board discusses on quarterly basis or more frequently where necessary. If appropriate, modifications are incorporated.

In the opinion of the Executive Board, the internal control system of CGMD satisfies the requirements of orderly management.

2 Economic Report 2013

Economic Report

2.1 Trends and conditions in the economy

Since the majority of CGMD clients do business not just in the United States, but also in the so-called emerging market countries of the EMEA Region, developments in the United States and the aforementioned other markets impact the activities and, in some circumstances, also the earnings situation of the Bank.

In 2013, the global economy reported a moderate growth rate[1] of 2.4% and thus remained at about the same lower level as in the prior year. Economic growth in industrial countries remained sluggish, above all in the first half of the year. In the developing markets, the anticipated economic recovery never materialized and anemic growth continued.

In Europe, the long-standing recession finally came to an end in the second quarter, which was earlier than expected, and the financial market pressures eased significantly, above all for many countries in Southern Europe. The improved economic and financial climate is closely tied to the fact that the financial markets place a great deal of importance on the ability and willingness of the European Central Bank and the economically stronger Member States to take action in order to avert potential crises. In this connection, the fears on the financial markets regarding a potential collapse of the Eurozone or a possible default by certain Member States subsided, which meant that the yield spreads with regard to the refinancing costs of the various Member States decreased significantly. In addition to reducing these risk assessments, which had started in the prior year, the loosening austerity programs in a number of European countries, the drop in global energy prices and the gradual improvement of the Eurozone's competitiveness in international trade had a stabilizing effect on the dynamics of the economy. Decreased interest charges, which began when the ECB lowered its key interest rates in that year and in prior years, eased some of the savings pressure on private households and companies, despite the relatively high amount of debt. The ECB lowered the key interest rates again this year, and by virtue of this step and its outlook, caused the increase in the capital market refinancing rates (which had, for example, impacted the United States and Great Britain) to be very weak in the Eurozone. The European stock markets benefited, above all, from the stabilization of the economic and financial situation and reported strong growth rates.

The 0.5% growth rate in Germany was lower than the prior year and also slightly below the prior year expectations, which were that the growth rate would remain unchanged in 2013. Towards the end of the year and for 2014, we do expect, however, the German economy to recover and are projecting a 1.9% growth rate in 2014. In the United Kingdom, where the economic dynamism had noticeably improved since the Spring, we anticipate that the growth rate will rise from 1.5%, as reported in 2013, to 3.2% in 2014.

The US economic recovery in this past year was somewhat weaker than expected, registering a 1.7% growth rate after a 2.8% growth rate in the prior year. The slowing economic growth in this year may be attributed, however, to the abrupt government austerity measures taken under the so-called "sequester" at the beginning of the year. During the course of this year, however, the economy has recovered noticeably, and we are projecting 2.7% growth for 2014. Despite the economic recovery, we do not expect the Fed to raise its prime rate until 2015. Nevertheless, it must be assumed that during the course of this year the Fed will end its program of buying government bonds. In Japan, the fiscal and monetary measures taken by the new government and central bank leadership have supported growth in the first half of the year, even though the growth rate for the entire year was still only 1.8%. In 2014, we expect the economy to weaken slightly to 1.6%. The growth in the developing countries fell that year to 4.6%. On the one hand, the slowdown must be

[1] The Bank's conclusions are based on the projections made by Citi Research.

linked to the inhibited development in industrial countries, but it also has structural features which, as was expected, placed the spotlight on a less-than-stimulating monetary policy in the United States, particularly from the perspective of foreign investors. For 2014, we anticipate a slight improvement in growth to 4.9%, but also see major risks in many developing countries, stemming - on the one hand - from a more capital outflow and international interest rate increases, and - on the other hand - from tense domestic political conditions.

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2.2 Trends and conditions in the industry

In 2013, the increased regulatory requirements led to higher costs and to lower earnings. Because of the overall economic and political situation, bank earnings in Europe have at best stagnated and have in many cases indeed declined, specifically at banks in the peripheral European countries. Due to intervention at the political level by governments and their central banks, the consolidation in the banking industry has not continued. Higher equity capital requirements require both active balance sheet management and a reassessment of the respective business models. Banks will continue to clean up their balance sheets. The effects of the European banking union remain to be seen. In 2013, most banks in the American banking sector ended the year with profits. The Asian financial sector also appeared to have been less strongly impacted and was even able to expand its market share in certain selective areas or became active on a number of new segments. In Germany, a number of CGMD's competitors retreated from certain niche businesses or have sold off divisions and portfolios.

2.3 Overview of CGMD business performance

Even if the total overall situation on the financial markets has calmed down during the course of the year, the environment is still marred by uncertainty and clients remain hesitant. Many market participants already secured their long-term refinancing back in 2012. This led to a decline in the overall refinancing needs both on the lending side and in the capital markets and naturally produced lower margins. As the institutional investors adjusted their conduct to accord with the actual market conditions, revenue in the markets division declined. The excess available cash flow had a favorable effect on revenues in warrants and certificates. In this area, there was a significant recovery. Overall, it can be noted that despite the reduced volumes on the overall market, CGMD succeeded in gaining or even increasing market share in individual sectors. This is particularly true for fixed income sales and equity sales. Both external surveys and broker reviews verify this development.

Due to the solid quality of the loan portfolio, credit defaults were also avoided in 2013. In 2013, CGMD was once again able to report a significant, positive contribution margin to the total result of Citigroup in the regions.

The Bank is projecting earnings for the relevant business divisions on the basis of US GAAP figures. As of November 30, 2013, these figures were compared against the *pro rata* budget figures as per the end of November 2013. The results show an 82.1% budget attainment, and thus the forecasted targets were not met. Given the difficult environment, the annual result is nevertheless viewed as satisfactory.

Developments in the individual business divisions are described below:

2.3.1 Overview of Markets division

The Markets business unit operates almost entirely from the Frankfurt office, but also brings in experts from central business units. The products that are offered locally include foreign exchange, equities and equity derivatives sales, bond sales, placement/underwriting in the Debt Capital Markets division for companies, financial institutions, agencies, the Federal Government and the Federal States as well as supranational institutions, and the selling and trading of certificates and warrants. Whereas most of the products are sold through Citigroup Global Markets Deutschland AG ('CGMD') to the clients and booked to the other subsidiaries of Citigroup, the warrants and certificates business is operated and booked locally to CGMD.

In addition to the FX spot, forwards, swaps or NDFs products, the Foreign Exchange Management/Foreign Exchange Sales division also offers FX options as well as other customized second and third generation products. E-trading supplements the product range. In Fixed Income Sales, CGMD offers its clients interest rate and credit derivatives as well as strategic solutions related to these asset classes. The equity and equity derivatives business focuses primarily on institutional investors. In warrants and certificates (Warrant Sales & Trading), the focus is on the retail product segment.

The Debt Capital Markets Origination division is divided into two specialty departments for corporate placement/underwriting and a specialty department focusing on financial institutions, agencies, the Federal Government and Federal States and supranational institutions.

Business performance Markets Equities Business

The global recovery on the stock markets expanded again in 2013. Managers unfortunately did not report cash inflow. This has meant that the commission volumes in Germany declined slightly. In contrast thereto, the commission income in the Equities division at CGMD has grown. This development can be attributed to significant gains in market share. Overall, the income in the Markets division did not meet expectation (86.2% versus budget).

Warrants and Certificates

The favorable market environment, which included nine historical highs reported by various stock markets, also impacted the warrants and certificates business. CGMD's position in the main markets is unchanged and remains good. In some markets such as France, market share was able to be recaptured, and investments in the certificate business in Germany showed their first signs of success. Based on cost savings program launched in the past and the favorable mood on the stock markets, this division was able to report in Europe a significantly better contribution margin to the Bank’s result.

Debt Capital Markets Origination

In the 2012 reporting year, CGMD advised on numerous stock and bond offerings. Most of the transactions concluded in this area were executed in EUR and USD. The services included senior unsecured offerings, bond redemptions, capital products such as Tier 1 and Lower Tier 2, and private placements. The placement/underwriting activities in the corporate segment were high, and the Bank was able to further solidify its good position among our clients. This is also reflected in external reviews. In the government bonds market, fewer refinancing needs meant that certain issuers reduced their business volume from the prior year.

The market volumes were also negatively affected in this regard by the transactions of numerous domestic market participants, which were executed by their own “in-house investment banks”. We anticipate a significant recovery in this segment for 2014.

Interest Rate Derivatives, Credit Derivatives and Structured Products / Fixed Income

In the Fixed Income Sales division, the results in 2013 were lower than they were in the prior year. This can be explained by the loss of one-time effects of the prior years. Nevertheless, this division was able to regain market share in this difficult, smaller segment.

In 2013, the operating business focused on the sale of simple and structured credit and interest-rate products in Germany and Austria. A significant component of this business involved individual and client-customized structured transactions in derivative credit and interest-rate products. Numerous financing transactions for securities were concluded. As in the prior year, the client focused on hedging positions in 2013. The lower yields on new investments made it a difficult environment for pension funds and insurers in 2013. There was a conflict between the two objectives: seeking higher yields and avoiding high risk. Insurers and fund companies placed their emphasis in 2013 on the interest rate segment and on managing positions in Agencies und Covered Bonds. For the first time, investments - including those in the covered bond market - were made outside the core countries of Europe. This market has developed in line with expectations.

Foreign Exchange Management

The foreign exchange markets in 2013 were greatly impacted by the Japanese Yen’s robust devaluation relative to all major currencies during the first half of the year. As against the US Dollar, the Euro gained additional strength since the beginning of the year, yet this currency combination showed less activity than in the two previous years. That trend led to strongly declining volatilities and to generally lower revenues in the overall market, which impacted our business as well. Trading demand emerged more as a result of the devaluation of various emerging market currencies, after it appeared that these currencies would be ending their long-term appreciation trend.

2.3.2 Corporate and Investment Banking (“CIB”)

Despite an overall economic environment which featured lower growth, 2013 was a relatively stable year for the CIB division. The client portfolio remained virtually unchanged and new clients were acquired on a very selective basis only.

Although CGMD is able in general to generate only a small share of its overall earnings from global revenues directly with such clients, most of the income is made from transfer pricing and cost allocations, which are established consistently with the applicable tax requirements and which are remunerated by other entities of Citigroup.

The trend for continued, modest demand persists in the lending business, and client financing needs were for the most part met through bonds or other capital market instruments (e.g., convertible bonds, hybrid bonds). In addition, the credit margins have continued to shrink on all asset classes, and this has led to lower earnings in both new business and credit restructurings. Through disciplined credit risk management, CGMD has been able to further reduce its share of risky loans. Overall, the irrevocable credit commitments made by CGMD have fallen slightly compared to the prior year. In the Advisory division, the transaction volume for mergers and acquisitions in Germany has once again slipped from the prior year. Nevertheless, Citi’s share in the overall German transaction volumes for mergers and acquisitions climbed from 3.9% in the prior year to 5.8%. The equity capital markets with target customers in Germany, which are relevant to CGMD, performed very well in 2013. This can be attributed, above all, to two major transactions that substantially increased the market share in this area from 2.8% to 13.8%.

For the target customer market in the area of capital markets financing / investment grade loans, the division reported a 5% decline in fee volume compared to the prior year. This was offset, however, by the increase in market share from 5.5% to 8.6%.

2.3.3 Treasury & Trade Services (“TTS“)

For 2013, the Cash Management product area reported a result which was roughly at the prior year level. The prospect of new business still faces a low interest rate environment and margin pressure due to the launch of SEPA. During the migration phase, the share of transactions in the SEPA format at Citi has been roughly in line with the German market average. In 2013, the previous year initiative to penetrate the market for documentary credits in export transactions continued in the area of trade financing. Given the economic conditions in many European countries, the issue of hedging risks in the supply chain has garnered greater attention. In 2013, the demand for supplier financing on the basis of supply chain finance programs or at the bilateral level increased in Germany as well.

2.3.4 Securities & Funds Services (“SFS”)

The income generated in the SFS Intermediary Services in Germany declined from the prior year. Influencing factors were new terms and conditions agreed to with a number of clients as well as one-time booking of a significant fee reimbursement to a major client. In addition, the Derivatives Clearing area for third party clients in the SFS division was discontinued as of 2012, and the clients were passed to Citigroup Global Markets in London so that all clients would be served in the future through a single, centralized Citi platform.

2.3.5 Net assets

The balance sheet total of CGMD as of November 30, 2013 had increased from the prior year by EUR 3,973.2 million to EUR 13,516.2 million. The largest single line items on the balance sheet are receivables from banks in the amount of EUR 3,292.2 million (prior year: EUR 3,521.4 million) and liabilities owed to banks in the amount of EUR 1,938.1 (prior year: EUR 2,027.7 million) and the assets in the trading portfolio totaling EUR 9,983.4 million (prior year: EUR 5,700.4 million). As of the balance sheet date, the Bank reported liabilities in the trading portfolio totaling EUR 9,905.3 million (prior year: EUR 5,674.1 million).

The “securitized liabilities” item, which amounts to EUR 74.4 million (prior year: EUR 78.0 million), involves a US-denominated loan participation note that was issued to hedge a certain USD-denominated receivable from a bank.

The trading portfolio assets and liabilities result largely from warrants and include the traded products recognized at market value. The increase in trading portfolio assets and liabilities is due to the increased demand and the market valuation of the position, which resulted from the global increase in equity stock prices and indexes.

In addition, a special item was created (“fund for general banking risks”) pursuant to § 340g HGB in the amount of EUR 13.3 million (prior year: EUR 9.4 million).

The Company’s equity capital as of November 30, 2013, including the capital contribution, totaled EUR 590.5 million (prior year: EUR 590.0 million) and included a silent contribution in the amount of EUR 122.7 million (prior year: EUR 122.7 million).

The increase in equity capital in the recently completed fiscal year resulted from the merger of Citicorp Operations Consulting GmbH into CGMD, which took effect at 12 midnight on November 30, 2012. In this connection, CGMD elected to continue to value its assets at book value and to allocate to the capital reserves the difference between the assets and the liabilities that were assumed (EUR 0.5 million).

Contingent liabilities based on guarantees and warranties declined to EUR 545.2 million (prior year: EUR 593.9 million).

Irrevocable credit commitments totaled EUR 732.9 million (prior year: EUR 1,024.9 million).

2.3.6 Financial condition

CGMD refinances itself primarily within the Citi Group, through the German *Bundesbank* and by borrowing funds from financial institutions.

Since Citigroup’s European liquidity management is centralized at CGMD, which serves as the point of contact with the ECB, CGMD places most of Citigroup’s EUR-dominated excess cash flow with the Central Bank on a daily basis. In the recently completed fiscal year, CGMD was in a position at all times to meet its payment obligations. Moreover, any and all liquidity requirements mandated by law were satisfied at all times. No significant capital expenditures are planned which would cause the liquidity situation to worsen. Investments are made solely on a short-term basis.

The Bank generally does not engage in maturity transformations. Most of the maturities are receivables and liabilities, which are owed to or from banks and clients, and are short-term and denominated for the most part in EUR. The number of receivables and liabilities, which are denominated in foreign currencies, is not significant.

In order to cover unforeseeable liquidity risks in Euros, other suitable agreements are in place with sister companies, which give CGMD direct access to assets that is suitable as collateral for the ECB (bonds). This portfolio can be changed only with the express consent of the Corporate Treasurer of CGMD.

2.3.7 Results of operation

For fiscal year 2013, CGMD reported a profit (before transfer to CKG and the silent partners) in the amount of EUR 12.4 million (prior year: EUR 53.4 million).

Due to the historically low interest rate, net interest income declined to EUR 5.7 million (prior year: EUR 11.5 million).

Commission income declined by EUR 36.7 million to EUR 125.6 million (prior year: EUR 162.3 million). Commission income consists predominantly of transfer pricing revenue from brokering transactions with affiliated companies, for example, in order to broker products from other Bank divisions such as Fixed Income, Fixed Income Derivatives and Equity and Equity Derivatives, which were also responsible for the decrease in the position. This item also includes commissions earned on securities transactions and Eurex products. At the same time, commission expenses fell by EUR 8.8 million.

In the recently completed fiscal year, the Bank booked net income from the trading portfolio in the amount of EUR 35.1 million (prior year: EUR 25.0 million), which related to dividends received and to transactions with warrants and certificates. The general recovery on the international financial markets and the related improvement in the global stock indexes had a favorable effect on earnings in 2013.

Personnel expenses fell by EUR 12.2 million to EUR 74.4 million (prior year: EUR 86.6 million) mostly because the restructuring costs had been incurred in the prior year.

Other administrative expenses climbed by EUR 2.5 million to EUR 76.6 million (prior year: EUR 74.1 million).

The profits, which were transferred under the profit transfer or partial profit transfer agreement, are attributable to CKG in the amount of EUR 8.2 million and to the silent partners in the amount of EUR 4.2 million.

In view of the generally difficult environment on the international markets, the Bank still views the developments in 2013 as satisfactory. We view the Bank's net assets, financial condition and results of operation as solid.

2.3.8 Key Financial Performance Indicators

Financial Performance Indicators

Description of the quantities applied in the internal control system on the basis of the figures prepared for the Bank according to the US GAAP as of December 31 of any given year:

	January 1, 2013–December 31, 2013	January 1, 2012–December 31, 2012	Change
Operating Efficiency in % (Costs / income on the basis of EBIT per US GAAP)	85	84	1

	December 31, 2013	December 31, 2012	Change
Total risk coverage in USD million per US GAAP	414	377	37
Risk utilization in USD million	290	210	80
Risk utilization in %	70	56	14

Other key financial ratios

Using a number of key figures for the fiscal year, the table below provides an economic comparison with the prior fiscal year and thereby reveals the business development of CGMD. They are also key influencing factors for measuring the operating efficiency.

			Change	
	November 30, 2013 EUR m	November 30, 2012 EUR m	EUR m.	%
Balance sheet total	13,516	9,543	3,973	41.6
Business volume	14,793	11,162	3,631	32.5
Equity capital	590	590	0	0.0
Loan portfolio	5,101	5,626	(524)	(9.3)

Description of the individual components (not a complete listing):

			Change	
	December 1, 2012–November 30, 2013 EUR m	December 1, 2011–November 30, 2012 EUR m	EUR m	%
Interest result from operations	6	11	(5)	(45.5)
Commission income from brokerage business	80	111	(31)	(27.9)
Commission income from securities business	15	18	(3)	(16.7)
Net income from trading operation	35	25	10	40.0
General administrative expense	151	161	10	(6.2)

As of the balance sheet date, the balance sheet equity capital consists of the following components:

	30. November 2013 EUR Mio.	30. November 2012 EUR Mio.	Change
Subscribed capital			
Share capital	210.6	210.6	–
Silent partner capital	122.7	122.7	–
Capital reserve	196.3	195.8	0.5
Legal reserve	33.0	33.0	–
Other earnings reserve	27.9	27.9	–

The equity capital required under the banking regulations and § 10 KWG consist of core capital and supplemental capital (subordinated liabilities) after approval as follows:

	30. November 2013 EUR Mio.	30. November 2012 EUR Mio.
Equity capital reported on the balance sheet	590.5	590.0
plus		
Funds for general banking risks per § 340g HGB		
less Intangible assets	13.3	9.4
	0	0
Core capital	603.8	599.3
Supplemental capital	0.0	0.0
Equity capital	603.8	599.3
Capital ratio		
Core capital in %	37.5	33.6
Total capital ratio in %	37.5	33.6

Personnel and non-financial performance indicators

On November 30, 2013, CGMD employed 270 workers (prior year: 334) including employees at the London branch. The decline relative to the prior year was due to a human resource restructuring program in connection with outsourcing process components of the middle office to other service centers.

Personnel planning is a component of the Bank’s strategic planning and is tied to developments in the banking sector and the financial markets. If decisive changes take place due to market developments, then there will be a timely adjustment to the human resource planning which is, where possible, in line with the required social welfare conditions.

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

- setting goals and reviewing performance
- differentiating performance
- fostering a diverse pool of employees and equal opportunity.

CGMD's community involvement is carried out by its employees. In various projects, CGMD offers support to those in need by making donations and assigning work and helps young students in their career planning.

The Global Community Day ("GCD") is an event that occurs once a year. Citi employees are committed to working on social welfare projects on the GCD, i.e., visiting nursery schools, nursing homes and elementary schools.

3 Risk Report

Risk Report

3.1 Organization of the risk management

The organizational structure and workflow of the risk management system is set forth in detail in the “Institutional Client Group (“ICG“) Risk Management Manual”, a global directive. CGMD follows this directive and based thereon has implemented both its own “ICG Germany - Risk Manual, the German Credit Manual”, which meets the local requirements and an equally independent, risk-bearing capacity concept.

3.2 Overview of the types of risks

As described above, the Bank’s business activities create significant risks. The monitoring and control of such risks is described below:

3.1.1 Market risk

The most important types of trading businesses offered by CGMD from a risk perspective are

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedging transactions
- Issuance and trade in investment certificates in equity, commodity and foreign exchange as well as the corresponding hedging transactions
- Money market transactions with credit institutions
- Interest rate swaps & interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent))

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

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

In addition, we quantify the loss potential of each market factor and calculate the “value at risk” (“VaR”), taking into account the correlation between the market factors. The VAR quantifies the maximum loss to be expected from a trading book during a holding period of one day and with a confidence level of 99% (2.33 standard deviation). The calculation also takes into account the specific risks of individual stocks (beta risk).

VaR is calculated using a Monte Carlo simulation, which Citi carries out centrally from New York for all trading activities and which is based on uniform valuation criteria. The volatilities of the individual market factors and their correlations are determined on an empirical basis.

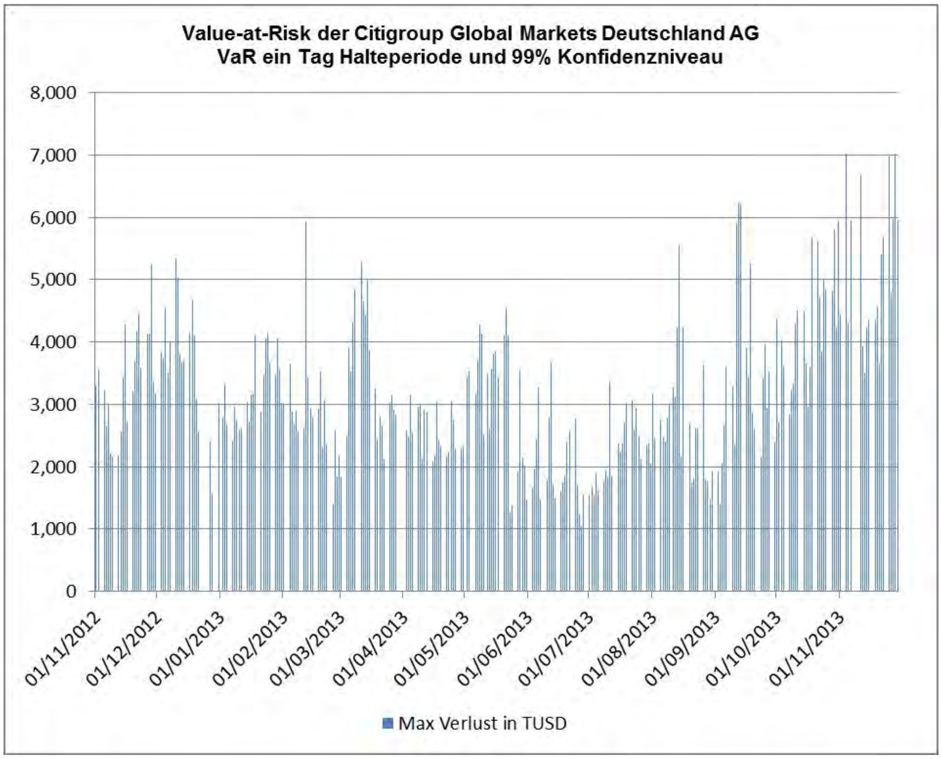
In addition, to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

In line with the risk quantification model, the Bank has defined limit structures and so-called “Management Action Triggers” for the individual trading books and for its Treasury (maximum loss potential for a pre-defined period of time).

Due to the complexity of the derivative trading activities, CGMD is connected to a Citi risk monitoring system that operates independently from the trading function. It shows the aggregate market price risk by products, currencies and markets and compares the risk exposures on the different levels to the relevant limits. The system generates daily reports (which highlight specific limit breaches where applicable). They are provided to Risk Controlling each morning. The trading-independent Risk Controlling function monitors compliance with the limits and the escalation of the Management Action Trigger on a daily basis. The aggregated reports are provided to the Executive Board and the heads of the trading desks.

The globally conceptualized VaR model is subject to an annual, local model validation process in order to ensure that the global model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and the quarterly “Risk not in VaR Analysis”, which serves to identify and quantify such risks, which are not covered by the model calculation.

The diagram shown below presents an overview of the development of the VaR in fiscal year 2012/2013. The figures shown must be seen relative to the total limit for the VaR (USD 12.5 MM):



The Value at Risk limit was reduced in the prior year because the utilization of the limit and the underlying floor limit moved to a relatively low level. After the limit adjustment, the utilization in fiscal year 2012/2013 moved to approximately 40%, whereby the welcome trend in the stock markets in the fourth quarter of 2013 led to a significantly higher limit utilization, which the diagram above reveals.

The following diagram charts the risk of interest rate changes for the Bank's non-trading book [*Anlagebuchs*] in fiscal year 2012 / 2013 in USD.

In this case as well, the Bank is exhibiting a relatively low utilization of the limit that was approved by management and totaled USD 85 M. The Government bonds, which had been shown on the balance sheet for liquidity reserve purposes, were no longer held as of the balance sheet date. Accordingly, the cash reserve increased. This led to a sustained reduction in the risk of an interest rate change, further justified due to the lower duration. In the short-term, no changes are expected.

3.1.2 Credit Risk

CGMD continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions as well as the issuer risks are being observed. Monitoring is performed by a department that operates independently of the Front Office (Trading, Banking). The Bank differentiates these credit risks between settlement risks and pre-settlement exposures. The settlement risk is the risk incurred by the Bank if the Bank duly performs under a contract on settlement day, but the client does not perform. The pre-settlement exposure is the risk incurred by the Bank if the client is unable to meet its obligations under a contract and the Bank must therefore cover the position in the market. The risk is calculated based on the “mark-to-market” valuation of the client exposure.

The Bank defines limits for various credit types according to the relevant counterparty, who may, where applicable, be generally assigned to a class of debtors under regulatory rules. These limits are approved by the competent decision-makers.

Reports on the different counterparty risks are generated by the system and analyzed on a daily basis. In the event of identified limit breaches, the responsible trader (including the head of the trading department) is informed without undue delay. Senior management will also be informed about these facts in its daily report.

For syndicated or bilateral credit facilities, the monitoring and daily reporting occur analogously.

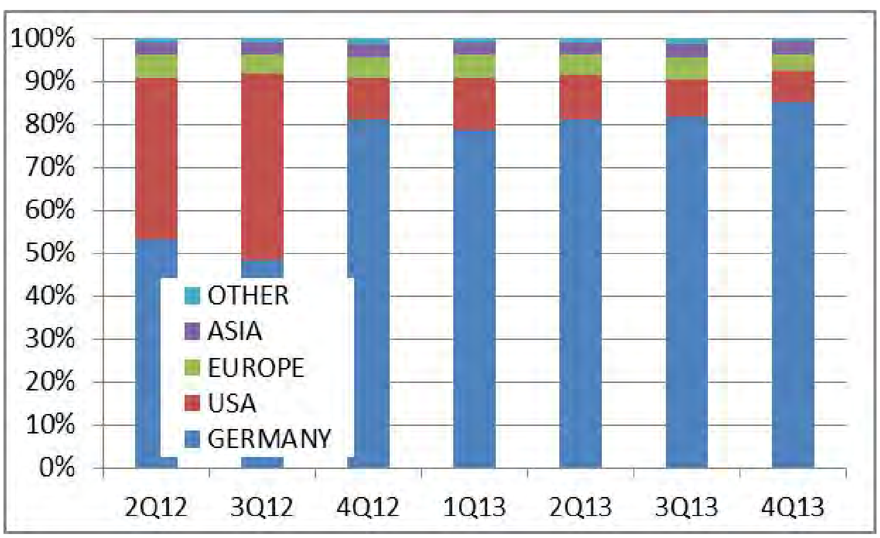
Risk Report

The table below shows the structure of the loan portfolio according to types of loan and credit scores as of the end of the year on November 30, 2013:

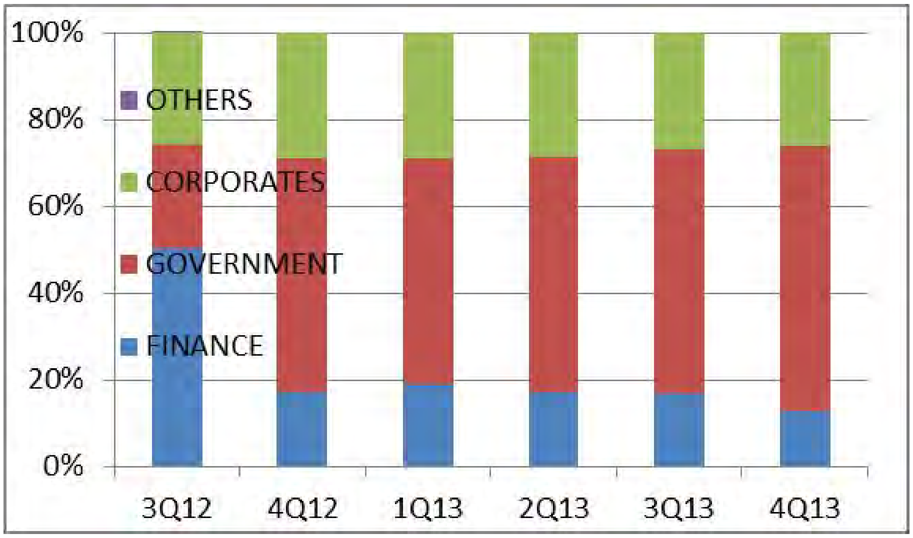
November_2013	Total (MM USD)			Direct			Contingent Liability			Clearing			PSR			STL		
FRR	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)
1	25	4,497	20.0%	6	4,283	55.7%	14	27	2.4%	5	187	1.4%	0	0	0.0%	0	0	0.0%
2	55	695	3.1%	20	162	2.1%	7	7	0.6%	28	527	3.9%	0	0	0.0%	0	0	0.0%
3	289	6,967	30.9%	87	2,055	26.7%	53	758	67.5%	139	3,821	28.6%	8	200	80.0%	2	134	100.0%
4	293	8,810	39.1%	75	839	10.9%	64	147	13.1%	149	7,774	58.3%	5	50	20.0%	0	0	0.0%
5_7	183	1,522	6.8%	45	347	4.5%	38	169	15.1%	100	1,005	7.5%	0	0	0.0%	0	0	0.0%
8_9	5	40	0.2%	1	0	0.0%	2	15	1.4%	2	25	0.2%	0	0	0.0%	0	0	0.0%
10	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	850	22,532	100.0%	234	7,687	100.0%	178	1123	100.0%	423	13,338	100.0%	13	250	100.0%	2	134	100.0%

In this regard, the direct, bilateral credit facility with clients is summarized under the heading “Direct Exposure”, while “Contingent Exposures” covers contingent liabilities (aval guarantees) and “PSR” (Pre-Settlement Risk Exposure) covers fulfillment risk. Under “Clearing Risk”, revocable intra-day credit facilities are listed, which allow customers to settle cash and securities transactions. The credit scores listed in column 1 (Facility Risk Rating (FRR)) are based on the likelihood of default (Probability of Default (PD)), which is calculated on a global basis, and the applicability of which is transparently established for the local loan portfolio, however, as part of the annual verification process. The PDs are also a significant component for the model calculation of the risk capital for credit risks. An FFR of 1 corresponds to a AAA (S&P) credit rating. A very large majority of the loan portfolio is managed with clients, whose credit rating is investment grade (FRR 4). In order to calculate the risk capital for the credit risks, other factors and parameters are also included such as “Loss Given Default” (loss ratio in the event of default) and the “Exposure at Default (amount of the receivables at the time of the default)”.

The following bar chart provides an overview of the loans made according to regions/sectors:



The strong concentration of loans made within Germany may be explained by the implementation of the Bank’s global strategy, which calls for clients - where possible - to be advised from the respective country even in outbound dealings.



The high percentage of loans made to governments is based on the fact that CGMD has transferred its excess cash at the end of each given day with the German Bundesbank, an institution which is classified as "Government".

3.1.3 Liquidity risk

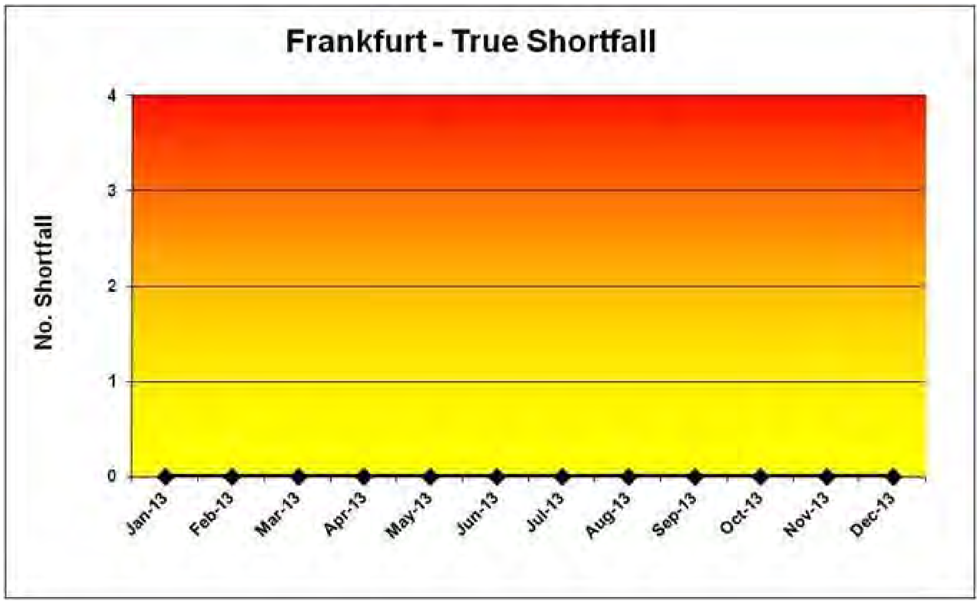
Liquidity risk is managed by the Treasury division. The controls are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. Risk Controlling monitors compliance with the limits on a daily basis and shall keep the Executive Board seasonably informed of the Bank's liquidity situation. A liquidity reserve was formed in order to absorb potential distortions on the capital markets and the liquidity shortages resulting therefrom.

CGMD reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the recently completed fiscal year 2012/2013, there were no limit breaches shown in the funding matrix. The following table shows the accumulated cash flow of CGMD distributed according to the relevant maturity ranges as of the balance sheet date. In the most recently completed fiscal year, the cash flow limits for all maturity ranges was set at zero. In other words, a negative cash flow within a given maturity range automatically triggers a limit transgression, which in turn prompts a corresponding escalation to senior management:

CGMD: Liquidity Risk Indicators

	O/N	2D-7D	8D-15D	16D - 1M	2M	3M	4M - 6M	7M - 12M	2Y	3Y - 5Y
MAR in USD MM	2,693	1,665	1,520	1,365	1,180	1,119	1,124	1,120	1,123	-4
Limit in USD MM	0	0	0	0	0	0	0	0	N/A	N/A
Limit Usage	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A

The following diagram provides an overview of the limit transgressions (breaches) that occurred in the most recently completed year, resulting from the funding matrix:



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

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

3.1.4 Pension fund risk

The Bank currently has three pension funds. However, the risk-bearing capacity calculation lists only two funds, for which CGMD bears an economic risk regarding the minimum return (yield) targets and a duty to make subsequent contributions. The calculation of the risk capital and the corresponding risk capital stress test is made using mathematical-statistical models (variance-covariance matrixes) and scenario analyses. The risk capital computed thereby is set forth in the relevant tables and diagrams for the risk-bearing capacity calculation.

The investment strategy is set by the Pension Fund Investment Committee, whereby the actual management of the fund is the responsibility of an outside fund manager.

3.1.5 Operational risks

Operational risks are defined by CGMD as all risks which do not qualify as market, credit or liquidity risks. Operational risks are divided into the following categories:

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Clients, Products & Business Practices

- Damage to Physical Assets & Infrastructure
- Business Disruption & System Failures
- Execution, Delivery & Process Management

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

The operational risk could be increased when processes are outsourced to internal and external service providers. CGMD has not developed a suitable infrastructure in order to assess and monitor the potential risks resulting from outsourcing.

The roles and responsibilities, as well as the documentation are defined in accordance with the applicable Citi Policies. Senior management shall be informed in a reasonable manner about the aforementioned risks through daily and monthly reports.

In order to record quantifiable risk findings, a database is used (Event Data Capture System), which also serves as a basis for the reports to senior management.

The operational risks in connection with the risk-bearing capacity calculation are quantified through an expert assessment. The Pillar 1 minimum capital requirement for the operational risks, which is computed using the standard approach, is duplicated once again here and included in the calculation of the risk-bearing capacity.

3.1.6 Other significant risks

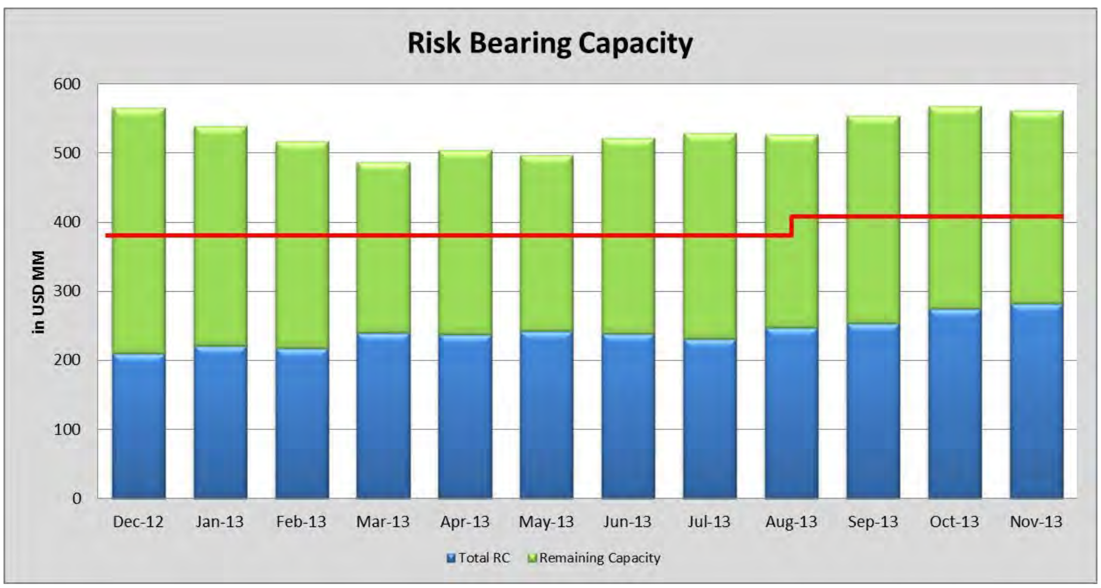
Since the reputation risk can emanate from all other risks, it is handled separately from operational risk. For the aforementioned reason, reputation risks are monitored and managed implicitly by controlling all risk categories from which a reputation risk could arise. An explicit monitoring of the reputation risk is carried out by the legal department because reputation risks could arise from complaints and litigation. A quantification as contemplated under the risk capital concept is handled through an expert assessment. The magnitude, which is calculated thereby, is derived from the risk capital for operational risks.

3.2 Total bank guidance for the strategy on risk bearing concept

The table below shows the development of the economic capital requirements for each quantifiable and significant type of risk, which CGMD faced in fiscal year 2012/2013. The figures shown are in USD millions. Under the last column labeled “Trend”, the trend in the risk-bearing capacity is shown as a comparison to the respective month of the previous year. Concentration risks are implicitly included within the risk model. Possible risk concentrations are also identified and appraised in a concentration analysis.

Month	Credit Risk	Market Risk	Operational Risk	Reputational Risk	Equity Risk	Pension Fund Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend
Dec-12	69.4	52.4	48.7	0	0.6	39	210.1	565.5	355.4	up
Jan-13	74.8	55.9	50	0	0.6	39	220.3	539.1	318.8	down
Feb-13	77.2	52.4	48.4	0	0.6	39	217.6	515.9	298.3	down
Mar-13	70.7	51.6	47.3	0	0.6	69	239.2	486.9	247.7	down
Apr-13	69.1	48.8	49	0	0.6	69	236.5	503.7	267.2	stable
May-13	72.5	50.8	48.8	0	0.6	69	241.7	497.1	255.4	stable
Jun-13	74.2	43.7	49	0	0	71	237.9	522.0	284.1	up
Jul-13	67.6	42	49.8	0	0	71	230.4	528.8	298.4	stable
Aug-13	74.4	39.8	49.6	12.4	0	71	247.2	527.0	279.8	down
Sep-13	70.1	48.7	50.7	12.7	0	71	253.2	553.6	300.4	up
Oct-13	79.7	60.4	51.2	12.8	0	71	275.1	568.1	293.0	stable
Nov-13	75.2	72.5	51	12.8	0	71	282.5	560.8	278.3	down

The following graphical depiction shows the committed risk capital (blue portion of bars) in proportion to the aggregate risk coverage still available (shown in green as “remaining capacity”):



The risk-bearing capacity was and is guaranteed at all times in the reporting year, and the Bank has a suitable cushion of risk capital. The risk capital projection over the coming three fiscal years, which is carried out as part of the annual risk strategy process, also revealed that the risk-bearing capacity remains in place after taking into account the targeted business development and the demands in the strategy process specified under the MaRisk (e.g., allowing for adverse stress scenarios.

3.3 Summary description of the risk situation

Given the improvements made in the entire risk management arena during the reporting period, the Bank has a tool that is customary in the industry and meets the requirements under the MaRisk.

The Bank holds adequate liquidity and capital resources in order to be able in a reasonable manner to cover all of the aforementioned risks and to be able at all times to support a sustained CGMD business development. Under each of these scenarios, this also applies to the implemented stress test.

With regard to the future development of risk management, we refer to the Outlook section of this document.

4 Internal Control System

Internal Control System

4.1 Significant factors of the internal control system with respect to the accounting

The accounting of CGMD is performed pursuant to Citi's Group instructions on the basis of US-GAAP. In order to satisfy the semi-annual and annual local requirements of financial reporting (annual financial statements and management report) required under the German Commercial Code (HGB) and/or the German Regulation on Financial Institution Accounting (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* or "RechKredV"), all of the account balances of CGMD are transmitted from the Bank's general ledger into a database, which has been set up separately for this purpose. Within this system, the necessary allotments, reclassifications and adjustment book entries that are reported on the income statement are thereupon performed in compliance with the so-called "second-set-of-eyes principle" prescribed under the applicable German accounting rules. This procedure falls within the purview of the local Financial Control department which, within the organization, reports directly to the Executive Board member responsible for this area.

CGMD relies on a globally utilized system to monitor its balance sheet accounts and the account balances (net exposures) existing thereon. Under this system, each balance sheet account is assigned to an account supervisor, who must reconcile and, upon request, document the balance in the relevant account on a monthly basis. The risk that certain balance sheet accounts will be inactive or left unassigned is thereby eliminated.

The results of this process are discussed during monthly Balance Sheet Validation Committee meetings. The persons participating in this meeting are the Executive Board members responsible for accounting and settlement, the employees of the O&T Risk and Control Unit, the Financial Control department and Internal Auditing.

During monthly meetings, the members of the CGMD Executive Board are informed about the overall balance sheet and the current income statement of CGMD on the basis of the monthly report that is prepared in accordance with US-GAAP.

The Supervisory Board monitors the accounting-based internal control systems and is informed about such matters at Supervisory Board meetings.

During the course of fiscal year 2013, a "Management Control Assessment" ("MCA") was launched at CGMD, which replaces the RCSA Procedure heretofore performed. The implementation of the process remains the responsibility of all processing staff members within CGMD. This process is supported by technical systems and is run and supervised by professionally-trained risk management personnel.

The US-GAAP accounting is governed by Citi's "Accounting Policy Manual", which is applicable worldwide. Under the local accounting system, analytical test runs and controls are performed for all significant account developments and for changes in the individual items as of the applicable record date for the financial statements.

The results from the RCSA, the test results of the internal Group auditing and the Bank's own internal auditing department and the documentation of any remedial actions thereupon launched are all recorded in a database. Management is informed on a monthly basis regarding the progress of such actions.

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

5 Outlook

Outlook

5.1 1 Macroeconomic outlook

The Bank[2] is forecasting a significant increase in the growth rate for the global economy in 2014, climbing from 2.4% to 3.1%. For the years thereafter, we are anticipating a further increase to 3.3% for 2015 and a rise to 3.5% for 2016 and 2017. The industrial countries are the main source for the improved global economic prospects. The Bank expects these countries to generate a growth rate of 2.0% in 2014 after having had a 1.1% growth rate in 2013, and expects that rate to increase further to 2.1% in 2015 and 2.3% in 2016.

Overall, the Bank continues to expect significant differences between the individual regions.

The Bank expects modest growth in the Eurozone (the Bank's growth projections are 0.9% and 1.0% for 2014 and 2015, respectively) after having reported a -0.4% rate in 2013. The economic recovery should be buoyed by scaled-down public austerity measures, a continuing supportive monetary policy from the ECB, a recovering global economy and a decline in the factors of uncertainty. A stronger Euro, higher debt loads in the private and public sectors and a persistently difficult financing terms and conditions (above all for small and mid-sized companies and for many Member States) should continue to inhibit the growth potential in the Eurozone. Inflation should be very modest in the entire Eurozone (we expect consumer prices to rise by only 0.9% in 2014 and by 0.7% in 2015), because of the continuing sluggish economic development, falling commodity prices and the strong Euro. In most of the Southern European countries, there remains a moderate risk of deflation; i.e., a tendency for general prices to decline moderately which, in turn, should help improve the competiveness of those countries, but which could, on the other hand, limit the prospects for nominal growth.

An important factor in 2014 will be the planned "Asset Quality Review" and the stress test, which the ECB will perform in conjunction with national supervisory authorities and the European Bank Authority (EBA). Despite the current efforts by many European banks to lower debt and raise capital, new capital shortfalls or gaps at the banks in some countries could come to light during the course of these investigations. This prospect and the currently prevailing uncertainty about how such capital shortfalls could be potentially filled could cause uncertainty both on the financial markets and potentially in the run-up to these tests. Given the current risks of deflation and weak growth, we expect that the ECB will further adjust interest rates, by not only reducing its prime rates but also setting the deposit rates at a negative level. In addition, we believe it is likely that the ECB will decide on additional liquidity measures, if the market situation necessitates such action.

In light of the continued low interest rates, the hesitancy of clients, and the volatility still anticipated on the markets, the potential for earnings growth within the banking industry must still be viewed as modest. Issues such as capital requirements, regulation and restructuring will again be the major themes in the banking industry in 2014 and will leave their mark on the cost side of things. General cost reductions and the review of the relevant business models will once again take center stage. Increased regulatory requirements concerning equity capital and liquidity will continue to preoccupy the entire financial industry and will without question significantly increase operating costs.

For Germany, the Bank is forecasting growth rates of about 1.9% for 2014 and 1.7% for 2015. The anticipated moderate increase in economic output will likely come primarily from increased domestic demand. In the United States, it remains to be seen how the Federal Reserve will react to the current challenges and whether

[2] The Bank's conclusions are based on the projections made by Citi Research.

the political parties in the US can reach an agreement on the US budget. Asia is viewed as stable and will certainly remain attractive to investors. Nevertheless, it remains to be seen how China will resolve some of its current challenges.

For the industrial countries, the inflation rate in 2014 should increase slightly to 1.7%, and then remain relatively stable in the years thereafter. Also in Germany, the inflation rate should hover below 2%. With respect to the inflation rates for the emerging countries, the Bank expects a slight increase to 5.0% in 2014 and to 5.2% in 2015. The increase will be triggered primarily by price increases in commodities, energy and food and well as the devaluation of many currencies in emerging countries during the past year.

5.2 Expectations for Bank performance

There are no plans for the Bank's business model to change significantly in 2014. CGMD will continue to focus on its core business and, in light of the difficult market environment, direct its attention to maintaining and, where possible, expanding its current market share. In this respect, the Bank will advise and support its clients in all global activities by relying on the global network and products of Citi. In 2014, the Bank shall once again operate a disciplined cost and accounting management program. It will direct most of its attention in this regard to improving operational efficiency (the effort here will be on attaining a maximum 60% threshold for 2014) and to further strengthening the corporate governance structures. In this connection, a slight increase in the number of employees in this area is expected.

Optimizing internal procedures will also remain a focus. There is no plan to significantly expand the client portfolio, the volume of business and the selection of products and services. The Bank does intend, however, to selectively add strategically important clients to its client base, to the extent that a business model can be developed which provides sustainable economic benefits for these clients and Citi. The credit standing of the current client portfolio is viewed as stable. The loan portfolio exposure to the peripheral countries is to the largest extent limited. No significant detriment from that exposure is anticipated. The risk capital currently available is viewed as absolutely adequate for running the current business model.

Given the forecasts made by the individual Bank divisions and the measures described above, the Bank is again projecting an overall profit for fiscal year 2014, but it will probably be slightly lower than the 2013 profit.

5.3 Solvency

Due to the stable balance sheet structure and the solid overall conditions, CGMD's ability to pay its debts as they fall due (i.e., its solvency) was and is guaranteed at all times. This is also the case for 2014.

5.4 Significant opportunities and risks for the business divisions

The assumptions that are listed in the subsection "Macroeconomic outlook" form the basis for the expectations set forth herein regarding the development of the Bank and its individual business divisions.

5.4.1 Markets

With respect to the Markets division in 2014, the uncertainty on the markets and the volatility that this creates will probably influence income and c ommissions in the client-related business. The Division is expecting development that is similar to the previous year.

Fixed Income is expecting increasing demand for individual, collateralized refinancing solutions. A significant role would likely also involve extensive advice and support for our clients in handling a comprehensive optimization of their balance sheets in order to free up capital.

The Equities division expects that the worldwide stock indexes will recover somewhat, but that uncertainty will prevail about how the economic situation in Europe will continue to develop. A significant deterioration in the financing conditions for countries of the euro area will be the greatest threat to the basic scenario of rising equity markets. If the boom in the bond markets should weaken, then this could benefit the equity markets which are still suffering from intense volatility. We nevertheless expect earnings to stabilize at this level for 2014, with the potential and the objective of exploiting other positive development opportunities. In equity derivatives trading, on the other hand, the Bank reported almost a 20% decline in earnings for 2013. The focus of the business developments in 2014 will be in that area, particularly in cooperating with the trading units in London. The goal is to significantly increase the earnings from the 2013 level.

In the area of structured products/fixed income, the conservative investment strategy of the investors will probably continue. Restructurings and reducing risk exposures should continue to be a trend in 2013, even though the prohibitive requirements in maintaining capital were relaxed by the European “Solvency II” Directive.

In the derivatives business, the focus on reducing the redenomination risk should continue to have an adverse effect on earnings and on the market share of CGMD in this segment.

Moreover, the stricter regulation of forward and option transactions would also probably have an adverse effect on the Bank’s earnings.

As with the equities business, the Warrants/Certificates division was able to report the emphatic return of small investors to the stock markets, which should continue to ensure a positive development. For 2014, we expect earnings to stabilize at the prior year level, even though another positive development on the stock markets could spawn additional growth. We continue to expect strong competition among the leading investment banks. More regulatory requirements are anticipated, and will need to be integrated into the business operations in accordance with the deadline requirements.

In the DCM division, a lower demand for debt refinancing among governments, which enter the market through their financing agencies, has led to a decline in business volume from the prior year. The earnings were approximately 60% lower than forecasted. We expect that in the Debt Capital Markets division, there will be a significant change for the positive in 2014. The tax treatment of Tier 1/2 capital, which must be regulated by a large coalition, should provide for a favorable trend in this regard. Moreover, there is an expectation that various European issuers will return to the market. For the division as a whole, we expect earnings to remain the same in 2014.

Foreign exchange management

In the sale of foreign exchange products, we expect that the market environment will remain challenging in 2014 due to the regulatory requirements and the uncertainty prevailing among clients. As in 2013, the goal will be to offset any declining earnings by increasing focus on emerging market currencies and on strategies such as FX Alpha, etc., in an effort to gain or win-back market share.

The trend in 2014 is expected to be initially driven again by the recurring concerns regarding the attainment of a long-term, viable compromise in the US federal budget dispute and the asset review of European banks, which the ECB and EBA are scheduled to conduct in the first quarter. Based from the experience from Dodd-Frank in the US, the enactment of the new EMIR regulatory package in the first quarter of the new year will initially reduce customer activity to a minimum, unless sudden price volatility facilitates or necessitates the execution of hedging transactions. Mergers and acquisitions as well as other larger capital market transactions, which are executed across currency zones and which have been sidelined now for many years, could make up for some of the negative trends expected from the regulation.

Based on the structure of our customer base, a weakening of the EUR, particularly *vis-à-vis* the USD as well as a renewed increase in the currency volatility will mean additional earnings opportunities based on the hedging transactions. In addition, the Bank should also be able to profit from a rising number in cross-border acquisitions and mergers as well as from other forms of capital market transactions conducted in a foreign currency (e.g., IPOs / listings of subsidiaries of German companies outside of the Eurozone).

5.4.2 Corporate & Investment Banking

In the advisory business, CGMD expects that events in 2014 will continue to be influenced by the ongoing uncertainty of the macroeconomic landscape and by new regulatory requirements. These causes will likely inhibit any swift increase in the number of transactions on the market, even though an improving performance of the capital markets and adequate liquidity would lead to an increase in transactions. This could provide CGMD with additional business opportunities in 2014. Senior management is, however, making conservative projections and anticipates that in 2014 earnings will improve and return to the level they were in fiscal year 2011/2012.

In the corporate client sector, as described above, the only expansion of the client portfolio under consideration involves strategically important customers who are targeted on a selective basis. The marketing activities launched by CGMD for selective new clients or for existing customers could generate additional opportunities for obtaining professional assignments in the intermittent project sector. The market environment is once again likely to be marked by high competition from domestic and international banks and from niche players, which could create some risk with regard to CGMD’s market share. The global presence of Citi - and hence the commensurate ability to provide a coordinated delegation of customer needs to the relevant country companies and the central availability of local expertise - should, however, represent an opportunity to stand out from the competition. As a whole, a stable environment in the lending business and a moderate increase in the activities in the corporate client business, in the areas of advising on mergers and acquisitions and in capital market transactions should raise the general expectation that revenue will increase slightly in 2014.

The CIB division is directly exposed to credit risk and liquidity risk on the existing loan portfolio. The assessment and handling of such risks is discussed in the risk report. Naturally, this business division faces operational risks including reputational risks. These risks are compiled in the risk inventory. Furthermore, the CIB division sees risks arising from the ongoing competition and uncertainty in the macroeconomic environment, which could have an adverse effect on CGMD’s market share. Liquidity risks are handled by the Treasury division and are likewise covered in the risk report.

5.4.3 TTS / SFS

For 2013 and 2014, the Transaction Services Division continues to expect a tense economic situation and lower interest rates. On the client side, it expects to expand banking relationships in order to diversify the risk. In 2013, special focus shall be on the needs of German-based subsidiaries of global groups. In cash management, the SEPA migration has been the largest project. Clients are now required to make the necessary capital expenditures. For the banks, SEPA should trigger more aggressive price pressures. On the other hand, the SEPA migration and the related advice should further elevate the intensity of the client relations.

The clients who still must implement the migration will need comprehensive advice in order to ensure the conversion of all relevant payments to the SEPA format in 2013. A successful SEPA implementation should lead to system consolidations and hence cost reductions.

In the area of securities service (Securities & Funds Services or “SFS”), the focus will be not only on offering rescue solutions to clients when the initial service provider is unavailable, but also on the continuing development of services involving all aspects of investment services and taxes. This is likewise a component of preparing for the launch of Target-2 Securities. In this connection, a number of clients could decide on a service model in which they themselves take over the settlement of their securities transactions. The SFS Division plans to offer its services for settling the investment services linked to the client’s securities transactions.

In trade financing, the client demand for hedging receivables should continue. On the other hand, the relevant outstanding receivables will be actively monitored and updated to reflect their current status. The significance of an active liquidity management using trade financing, such as supplier financing, should also continue to increase.

The CTS Division is to a limited extent exposed to credit risk, operational risk (including outsourcing risk), liquidity risk and reputation risk. The credit risk exists on the basis of overdrafts, guarantees and intra-day exposures and together with the operational risk, it is recorded in the outlook report (or the risk inventory). With respect to the liquidity risk, we refer to the discussion above relating to the Treasury Division, which handles the liquidity risk on a centralized basis. The reputation risk is minimized through comprehensive procedures and controls.

5.4.4 General opportunities and risks

Risks

Within the next year, risks could arise from the loss of personnel, who are in key positions with respect to generating income. The good performance in 2013 was not lost upon the competitors and will lead to a higher risk of employee poaching attempts.

The general regulatory environment and the imponderables related thereto could greatly impair the attractiveness of various divisions and products. The increased demand in infrastructure, reporting and minimum capital reserves will generate considerably higher expenses.

More consolidation by clients with respect to their banking connections and sinking market volumes suggest that margin pressure will increase.

Opportunities:

In the coming year, the Bank can confront the risks related to increasing expenses by exploiting the synergies within the Group, optimizing customer needs analysis, engaging in the suitable product development and in client support.

The Bank still plans to exploit proactive opportunities which could arise from changes in the regulatory environment and the enactment of new regulations.

Miscellaneous Risks:

The Bank is currently engaged in an active dialogue with the financial authorities in order to provide some clarity in terms of the tax treatment in a number of product segments. The Bank created a provision in the amount of € 2 million for potential costs in connection with legal advice.

6 Supplementary Report

Supplementary Report

There have been no events of special importance following the conclusion of fiscal year 2013, which had a material effect on the description of CGMD's business performance.

7 Information about Acquisitions

Information about Acquisitions

No acquisitions are anticipated for 2014.

8 Remuneration Report

Remuneration Report

8.1 Remuneration and benefits of the Executive Board (as a whole)

The total remuneration and benefits received by members of the Executive Board in the fiscal year, including any stock options granted, equaled TEUR 6,479.8. The pension obligations equaled TEUR 1,559.0. The total remuneration and benefits, including all exercised stock options, of the former members of the management bodies and their survivors, equaled TEUR 7,470.6 in the reporting year. An amount totaling TEUR 40,801.4 was set aside for pension and early retirement obligations owed to former members of the management bodies and their survivors.

Based on the stock-based remuneration, approximately 27 thousand shares were granted as variable compensation.

In 2012, a so-called “malus” incentive arrangement (*Malus Regelung*) was incorporated into the calculation of the variable compensation of the Executive Board members, and it effectively penalizes board members for their negative contributions to the results.

9 Executive Board Responsibility Statement

Executive Board Responsibility Statement

We hereby state that to the best of our knowledge, the annual financial statements present, in accordance with the German principles of proper accounting, a true and fair view of the net assets, financial position and results of operations of the Bank and s uitably present the opportunities and risks of the Bank’s future development.

CGMD AG

The Members of the Executive Board

Annual Balance Sheet as of November 30, 2013
Citigroup Global Markets Deutschland AG, Frankfurt am Main

A s s e t s

	EUR	EUR	EUR	11/30/2012 TEUR
1. Cash reserves				
a) Petty cash		2,716.53		4
b) Credit balances held at central banks		31,508,896.79		2,764
of which: at the German *Bundesbank* (German Central Bank) EUR 31,508,896.79 (11/30/2012 TEUR 2,764)				
c) Credit balances held at post giro offices		-.--	31,511,613.32	2,768
2. Receivables from banks				
a) due upon demand			331,736,664.11	504,132
b) other receivables			2,960,424,666.26	3,017,296
3. Receivables from clients			178,461,704.72	293,956
of which: secured by mortgages or other real property security interests EUR -.-- (11/30/2012 TEUR -)				
municipal loans EUR -.-- (11/30/2012 TEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-.--			-
ab) issued by others	-.--	-.--		-
b) Bonds and debt securities				
ba) issued by government institutions	-.--			-
of which: eligible as collateral with the German *Bundesbank* EUR -.-- (11/30/2012 TEUR -)				
bb) issued by others	-.--	-.--		-
of which: eligible as collateral with the German *Bundesbank* EUR -.-- (11/30/2012 TEUR -)				
c) Bank's own debt securities		-.--	-.--	-
Face value EUR -.-- (11/30/2012 TEUR -)				
5. Equities and other variable-yield securities			102.26	-
5a Trading portfolio			9,983,374,312.43	5,700,371
6. Equity investments			367,842.30	368
of which: in banks EUR 217,842.30 (11/30/2012 TEUR 218)				
in financial services				

institutions EUR -.-- (11/30/2012 TEUR -)				
7. Intangible assets				
a) Internally generated industrial property rights and similar rights and assets		-.--		-
b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		2,413.20		16
c) Goodwill		-.--		-
d) Prepayments		-.--	2,413.20	-
8. Tangible assets			2,111,235.61	2,646
9. Other assets			19,413,034.30	14,436
10. Prepaid and deferred items			1,332,143.47	676
11. Excess of plan assets over post-employment benefit liability			7,447,338.00	6,303
Total assets			13,516,183,069.98	9,542,968

Liabilities and Equity Capital					
		EUR	EUR	EUR	11/30/2012 TEUR
1. Liabilities owed to banks					
a) payable on demand				909,613,580.38	1,007,532
b) having an agreed term or notice period				15,244,036.22	38,480
2. Liabilities owed to clients					
a) Savings deposits					
aa) having an agreed notice period of three months		-.--			-
ab) having an agreed notice period of more than three months		-.--	-.--		-
b) Other liabilities					
ba) payable on demand		1,122,070,044.24			1,157,178
bb) having an agreed term or notice period		815,986,431.28	1,938,056,475.52	1,938,056,475.52	870,514
3. Securitized liabilities					
a) Debt securities issued			-.--		-
b) Other securitized liabilities			74,446,526.10		78,030
of which:					
money market paper	EUR -.-- (11/30/2012 TEUR -)				
own acceptance and promissory notes outstanding	EUR -.-- (11/30/2012 TEUR -)				
c) Miscellaneous securitized liabilities		-.--	-.--	74,446,526.10	-
3a Trading portfolio				9,905,293,312.54	5,674,095
4. Other liabilities				20,584,903.56	62,548
5. Deferred items				246,058.63	207
6. Accrued liabilities					
a) Pension and similar obligations			4,424,694.00		2,360
b) Tax accruals			-.--		-
c) Other incurred liabilities			44,509,745.62	48,934,439.62	52,668

7. Funds for general bank risks as defined in § 340e (4) of the German Commercial Code			13,282,952.33	9,386
8. Equity capital				
a) Subscribed capital				
aa) registered share capital	210,569,889.00			210,570
ab) silent partner capital	122,710,051.49	333,279,940.49		122,710
b) Capital reserve	196,257,110.73	196,257,110.73		195,746
c) Earnings reserves				
ca) legal reserve	33,027,197.15			33,027
cb) reserve for treasury shares	-.--			-
cc) reserves required by articles of association	-.--			-
cd) other earnings reserves	27,916,536.71	60,943,733.86		27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)			590,480,785.08	589,969
Total liabilities and equity capital			13,516,183,069.98	9,542,968

	EUR	EUR	11/30/2012 TEUR
1. Contingent liabilities			
a) Contingent liabilities from credited but uncleared bills of exchange	-.--		-
b) Contingent liabilities from guarantees and warranty commitments	545,166,339.58		593,915
c) Contingent liabilities from security provided on behalf of third parties	-.--	545,166,339.58	-
2. Other obligations			
a) Commitments under fictitious repurchase (repo) agreements	-.--		-
b) Placement and underwriting commitments	-.--		-
c) Irrevocable lines of credit previously granted	732,907,776.61	732,907,776.61	1,024,936

Income Statement
for the period of December 1, 2012 through November 30, 2013
Citigroup Global Markets Deutschland AG, Frankfurt am Main

	EUR	EUR	EUR	12/1/2011-11/30/2012 TEUR
1. Interest income from				
a) Loans and money market transactions	16,960,708.61			29,909
b) Fixed-income securities and debt registered claims	-. --	16,960,708.61		426
2. Interest expenses		11,301,323.14	5,659,385.47	18,857
3. Current income from				
a) Shares and other variable-yield securities		309,364.09		20
b) Equity investments		2,720.00		4
c) Interests in affiliated enterprises		-. --	312,084.09	-
4. Commission income		125,586,188.90		162,260
5. Commission expenses		1,854,251.79	123,731,937.11	10,665
6. Net income from financial trading operations			35,068,162.41	24,965
included therein are deposits into a special account per § 340g HGB EUR 3,896,462.49				
7. Other operating income			11,393,826.21	26,439
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	66,587,119.10			73,312
ab) social securities contributions, pension and welfare expenses	7,791,632.98	74,378,752.08		13,318
of which: for pensions EUR 4,319,020.11 (12/1/2011-11/30/2012 TEUR 9.064)				
b) Other administrative expenses		76,631,131.12	151,009,883.20	74,063
9. Depreciation, amortization and write-downs of tangible and intangible assets			721,896.87	1,123
10. Other operating expenses			11,594,416.53	106
11. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves		245,400.00		-
12. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves		100,530.28	100,530.28	622

13. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		-.--	311
14. Result from ordinary operations		12,694,328.97	52,890
15. Extraordinary income		-. --	-
16. Extraordinary expenses		-. --	-
17. Extraordinary result		-. --	0
18. Taxes on income and earnings (prior year: earnings)	289,135.39		./.482
19. Other taxes, to the extent not included under item 10	-.--	289,135.39	-
20. Income from loss transfers		-. --	-
21. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		12,405,193.58	53,372
22. Annual net income		-. --	-
23. Profit carried forward/loss carried forward from prior year		-. --	-
		-. --	-
24. Transfers from capital reserves		-. --	-
		-. --	-
25. Transfers from earnings reserves			
a) From legal reserve	-. --		-
b) From reserve for treasury shares	-. --		-
c) From reserves required by the Bank's articles of association	-. --		-
d) From earnings reserves	-. --	-. --	-
		-. --	-
26. Transfers from capital with participation rights		-. --	-
		-. --	-
27. Transfers to earnings reserves			
a) To legal reserve	-. --		-
b) To reserve for treasury shares	-. --		-
c) To reserves required by the Bank's articles of association	-. --		-
d) To other earnings reserves	-. --	-. --	-
		-. --	-
28. Replenishment of capital with profit participation rights		-. --	-
29. Unappropriated earnings (balance sheet profit)		-. --	-

Cash Flow Statement Pursuant to DRS Nr. 2-10

	2013 TEUR	Prior year TEUR
Annual Net Income	**0**	**0**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial	-6,235	-10,693
Changes in accruals	-6,875	3,230
Changes in other non-cash expenses/income	4,041	2,152
Gain/loss from the sale of financial and tangible assets	2	4
Other adjustments (in net terms)	-10,214	-14,947
Subtotal	**-19,281**	**-20,254**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	229,266	-877,355
- from clients	115,350	117,554
Debt securities and other fixed-income securities	-	536,322
Trading portfolio assets	-4,283,004	-645,651
Other assets from current operating activities	-5,633	18,463
Liabilities		
- owed to banks	-121,154	-478,119
- owed to clients	-89,636	727,234
Securitized liabilities	-3,583	2,512
Trading portfolio liabilities	4,231,198	642,428
Other liabilities from current operating activities	11,448	56,377
Interest and dividend payments received	22,360	35,446
Interest paid	-11,856	-20,981
Income tax payments	-289	482
Cash flow from current operating activities	**75,186**	**94,458**
Payments received from the sale of		
- financial assets	8,121	250
- tangible assets	26	619
Payments made for investments in		
- financial assets	-1,527	-1,503
- tangible assets	-201	-1,323
Payments received from the sale of consolidated companies and other business units	0	0
Payments made for the purchase of consolidated companies and other business units	0	0
Change in cash resources based on investing activities (in net terms)	0	0
Cash flow from investing activities	**6,419**	**-1,957**
Payments received from contributions to equity capital (capital increases, sale of own shares, etc.)	0	0
Payments made to company owners:		
- dividend payments	-53,372	-98,467
- outgoing payments	0	0
Changes in cash resources other capital (in net terms)	511	2,000
Cash flow from financing activities	**-52,861**	**-96,467**
Cash and cash equivalents at the end of the previous period	**2,768**	**6,734**
Cash flow from current operating activities	75,186	94,458
Cash flow from investing activities	6,419	-1,957
Cash flow from financing activities	-52,861	-96,467
Cash and cash equivalents at the end of the period	**31,512**	**2,768**

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Subscribed capital TEUR		Capital reserve TEUR	Earnings reserves TEUR	Unapro-priated profit/los s TEUR	Total equity capital TEUR
	Share capital	Silent partner capital				
Per November 30, 2012	210,570	122,710	195,745	60,944	-	588,969
Capital increases/ sale of own shares	-	-	-	-	-	-
Capital reductions/ own share buy-backs	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	-	512	-	-	512
Annual result 2012	-	-	-	-	-	-
Per November 30, 2013	210,570	122,710	196,257	60,944	-	590,481

The other changes resulted from the merger of Citicorp Operations Consulting GmbH. and Citigroup Global Markets Deutschland AG, which was completed in the fiscal year.

The earnings reserve is made up of the legal reserves totaling TEUR 33,027 and other earnings reserves totaling TEUR 27,917.

Citigroup Global Markets Deutschland AG
Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2013

Citigroup Global Markets Deutschland AG ("CGMD") is a German stock corporation with its registered offices in Frankfurt am Main, Germany. Since June 10, 2010, C GMD has been recorded in the commercial register of the District Court of Frankfurt am Main under registration number HRB 88301.

Pursuant to a merger agreement dated July 4, 2013, Citicorp Operations Consulting GmbH, Nidderau, was merged with Citigroup Global Markets Deutschland AG effective November 30, 2012.
By virtue of the merger, the assets of Citicorp Operations Consulting GmbH, including its liabilities, passed to Citigroup Global Markets Deutschland AG as the universal legal successor, and Citicorp Operations Consulting GmbH has been dissolved. In connection with the merger of Citicorp Operations Consulting GmbH into CGMD, the capital reserves of CGMD increased by EUR 0.5 million.

The fiscal year begins on December 1 and ends on November 30 of the following year.

The subscribed capital of Citigroup Global Markets Deutschland AG is TEUR 210,570. This capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main.

1. Accounting and Valuation Methods

The annual financial statements for fiscal year 2013 were prepared in accordance with the German Banking Act (KWG), the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

Commercial law requirements concerning the valuation of ownership and liability items and relating specifically to banks were observed in the valuation of the assets and liabilities.

The valuation (recognition) of **financial instruments in the trading portfolio** is done at fair value less a risk discount in accordance with sentence one of § 340e (3) HGB. The financial instruments are initially recognized at their cost of acquisition. In accordance with an official statement (RS BFA 2) of the Institute of Public Auditors in Germany (IDW), the follow-up valuation at fair value is based on the value at which competent parties, who are independent of one another but wish to contract, could exchange an asset or pay a liability and is performed pursuant to the hierarchical order of valuation criteria set forth in § 255 (4) HGB. Any financial instruments, for which no active market exists, will be valued using generally accepted valuation methods (above all, option pricing models). In general, these methods are based on estimates of future cash flow while taking into account any risk factors that may apply. The most important factors are the price of the underlying, implicit volatilities, yield curves and dividend forecasts. Where the stock market price is used in the valuation, the average stock market price shall apply.

As of November 30, 2013, the risk discount equaled TEUR 55 for the foreign currency risk trading book, TEUR 13,802 for the equities and index risk trading book, and TEUR 483 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a “market value adjustment” totaling TEUR 661, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

The trading portfolio in foreign currencies is valued using the foreign exchange rates published by the European Central Bank.

Money market transactions are recognized at their face value or settlement amount. Money market transactions in foreign currencies are measured on the basis of § 256a HGB in combination with § 340 h HGB.

Receivables from banks are stated at the repayment amount plus accrued interest. No write-downs were required in the fiscal year.

Receivables from clients are recorded at the repayment amount plus accrued interest less any allowances established to cover loan-related risks.

Equity investments are stated at their cost of acquisition less unscheduled write-downs.

Only **intangible assets,** which have been acquired for consideration, are stated at the costs of acquisition less straight-line amortization.

Tangible assets are stated at acquisition cost less straight line-depreciation.

Liabilities owed to banks and **liabilities owed to clients** are stated at their settlement amount [*Erfüllungsbetrag*] plus accrued interest.

The Bank established two hedges [*Bewertungseinheiten*] pursuant to §254 HGB, which it reports using the net hedge presentation method [*Einfrierungsmethode*]. It intends to preserve the hedge until the underlying transactions expire.

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of 7 ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness known as a "*Schuldschein*") and a face value totaling TEUR 53,000. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,531 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions [*Schuldscheindarlehen*] resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 8,770.6 over the book value.

The prospective and retrospective effectiveness testing is done using the critical term match method.

Moreover, in connection with hedging the credit risk, an additional hedge was set up under § 254 HGB and involved a credit default swap (which spun out of a loan participation note that was booked under securitized liabilities) and the receivable that it thereby hedged. The default risk existing on the underlying receivable (the underlying) was transferred in its entirety and until its date of maturity to the holder of the loan participation note. The nominal amount of the underlying and the hedge is USD 100,000,000 in each case, and both of these amounts are due for repayment on April 7, 2014. Here again, the testing of prospective and retrospective hedge effectiveness was carried out using the critical term match method. On the balance sheet date, the Bank elected not to write-up the underlying (receivable) in the amount of TEUR 749.4 due to the existing hedge transaction.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on by affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2013, CGMD had calculated an amount of TEUR 902.4 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

The simplification rules under § 253 (2) sentence 2 HGB were used with respect to the pension provisions. In order to calculate the present cash value, the average market interest rate over the last 15 years based on the Bundesbank discount rates and totaling 4.9% was used as the actuarial interest rate. Future salary and wage increases were estimated at 2.25%, and at the same time, a 2.0% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables.

As part of the efforts to hedge the pension commitments, the Bank purchased or was contractually promised units in the **Rose** fund at costs of acquisition equaling TEUR 104,779.4 and **assets and liabilities were netted** in accordance with § 246 (2) sentence 2 HGB.

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 10,213.8 (prior year: TEUR 7,853.5), while the change in the fair value of the plan assets resulted in income of TEUR 6,630.2 (prior year: TEUR 18,484.7). These earnings components are netted and then reported under other operating expenses.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 154,561.5 (prior year: TEUR 147,931.3). The settlement amount of the pension obligations - which equaled TEUR 147,114.2 (prior year: TEUR 141,628.1) - was netted in this same amount against the plan assets. The plan assets exceeding the settlement amount as of the balance sheet date were TEUR 7,447.3 and were reported under the item "Excess of plan assets over post-employment benefit liability" (prior year: TEUR 6,303.2).

Pension obligations also exist under the PAS, PRS and Deferred Compensation plans, which resulted from bonus conversions.

The obligations resulting from the **PAS and Deferred Compensation** plans are linked to the fair value of the relevant fund.

The acquisition costs of the fund units in the PAS Fund (**Sondervermögen PAS)** equal TEUR 4,632.4. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,492.3 (prior year: TEUR 9,026.0). The settlement amount of the liabilities to be netted equaled TEUR 9,492.3 (prior year: TEUR 9,026.0).
In the current fiscal year, the interest accrued on the liabilities yielded an expense in the amount of TEUR 1,976.4 (prior year: interest income of TEUR 1,537.3), and the change in the fair value of the plan assets resulted in income of TEUR 1,976.4 (prior year: TEUR 1,537.3).

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 9,104.8. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,217.3 (prior year: TEUR 10,660.0). The settlement amount of the liabilities to be netted equaled TEUR 10,217.2 (prior year: TEUR 10,660.0).
In the current fiscal year, the discounting of the obligations generated income in the amount of TEUR 37.7 (prior year: interest expense TEUR 433.7), and the change in the fair value of the plan assets yielded an expense of TEUR 37.7 (prior year: income TEUR 433.7). The components of the result are netted and reported under other operating expenses.
In connection with hedging the obligations under the bonus conversion, the Bank purchased units of the **PRS** Fund at costs of acquisition equaling TEUR 36,242.1, and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current year, the accrual of interest on the pension obligations generated an expense totaling TEUR 2,870.5 (prior year: TEUR 2,534.5). In connection with the standard allocation [*Regelzuführung*], income was generated in the amount of TEUR 1,004.6 (prior year: expense TEUR 2,024.5). The change in the fair value of the plan assets resulted in an expense of TEUR 1,612.2 (prior year: income TEUR 1,496.3). Current income in the amount of TEUR 1,190.4 (prior year: TEUR 1,419.4) was also generated. These components of the result are netted and reported under other operating expenses.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 40,598.7 (prior year: TEUR 47,012.9). The settlement amount of the pension obligations to be netted was TEUR 45,023.4 (prior year: TEUR 49,373.1) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 4,424.7 (prior year: TEUR 2,360.2) and was reported under the item "pensions and similar obligations".

All netted assets consist of liquid funds [*liquid Mitteln*] or units of equity funds. The funds are managed exclusively by outside asset managers, who invest the funds by purchasing publicly listed securities according to prescribed investor guidelines. The applied fair value for the assets is based on the overview of the individual fund assets as provided by the respective manager. Alternative valuation methods are not applied

All funds are outsourced under trusts or other fiduciary arrangements [*Treuhänderschaften*] and are therefore removed from the grasp of creditors in the event of a CGMD insolvency.

Accrued liabilities are created to cover liabilities, which existed on the balance sheet date but the precise amount of which was not known, and for any potential losses from open business transactions.

The other accrued liabilities or provisions have a term to maturity of less than one year, except for the obligations under a phased retirement plan [*Altersteilzeitverpflichtungen*] and early retirement obligations.

In light of the examination conducted to meet the requirements of setting aside a provision for threatened losses resulting from interest rate-driven transactions in the banking book [*Bankbuch*] (whether reported on the balance sheet or not) pursuant to § 340a in combination with § 249 (1) sentence 1, Alt. 1 HGB, CGMD applies the cash value approach in accordance with IDW's official statement RS BFA 3.

The items, which are included in the loss-free valuation, relate to typical bank contractual relationships arising from the deposits and lending business and cover the entire CGMD banking book, including off-balance sheet transactions.

The future cash flow resulting from such transactions as well as the risk and administrative costs are discounted to present value on the basis of a risk-free yield curve after converting into the reporting currency, if required.

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their contractually prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank's own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a risk-free rate. Viewed as of November 30, 2013, the fictitious closeouts have little effect on the present cash value reported in the banking book. The applied risk costs recognized in the banking book were calculated using a scenario computation taken from risk management. The administrative costs were derived from the internal accounts.

The calculation as of November 30, 2013 yielded no need for setting aside a provision to cover threatened losses from the valuation of interest-rate driven transactions.

The **total sum of the amounts, which are barred from payout distribution** within the meaning of § 268 (8) HGB (§285 no. 28 HGB) and which equals TEUR 70,328.4 (prior year: TEUR 50,114.5), results entirely from the capitalization of the plan assets at fair value in the amount of TEUR 225,087.1. Freely available provisions exceed the total sum of the amounts which are barred from payout distribution.

Accruals are set aside in the balance sheet for **contracts and pending legal disputes**, which could have an adverse affect on CGMD's financial condition.

Income and **expense** items are duly allocated to the period in which they were generated.

In accordance with § 256a HGB, **foreign currency positions** were converted into Euros at the exchange rate set by the ECB on the reporting date and published by the German *Bundesbank* system (average spot exchange rate).

2. Notes on the Balance Sheet

a) Fixed asset movement schedule

	Original acquisition costs		Reversal of write-downs (cumulative write-ups)		Accumulated depreciation, amortization and write-downs		Book values	
	Nov. 30, 2012	Additions (Disposals) Reposting	Nov. 30, 2012	Additions	Nov. 30, 2012	Additions (Disposals) Reposting	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets acquired for consideration	5,547	(6)	-	-	5,531	14 (6)	2	16
Office and plant equipment	13,792	120 (4,658) (17)	-	-	12,613	345 (4,656) 9	926	1,179
Leasehold improvements	13,804	47	-	-	12,337	363	1,151	1,467
Construction in progress	-	34	-	-	-	-	34	-
Equity investments	679	(311)	-	-	311	(311)	368	368
Total	33,822	(4,791)	-	-	30,792	(4,242)	2,481	3,030

Any and all intangible and tangible assets (office and plant equipment as well as leasehold improvements) were used by CGMD itself.

b) Assets based on terms to maturity

Receivables from banks

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
a) payable on demand	331,737	504,132
b) up to three months	2,885,699	2,937,574
c) more than three months and up to one year	73,470	1,266
d) more than one year and up to five years	-	77,006
e) more than five years	-	-
accrued interest	1,255	1,450
	3,292,161	3,521,428

Receivables from clients

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
a) up to three months	132,672	237,107
b) more than three months and up to one year	10,924	21,707
c) more than one year and up to five years	34,000	34,000
d) more than five years	-	-
accrued interest	866	1,142
	178,462	293,956

Liabilities owed to banks

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
a) payable on demand	909,337	1,007,532
b) up to three months	15,243	37,706
c) more than three months and up to one year	-	770
d) more than one year and up to five years	-	-
accrued interest	278	4
	924,858	1,046,012

Liabilities owed to clients

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
a) payable on demand	1,122,070	1,157,178
b) up to three months	762,710	785,039
c) more than three months and up to one year	3,000	32,022
d) more than one year and up to five years	10,000	13,000
e) more than five years	40,000	40,000
accrued interest	276	453
	1,938,056	2,027,692

Securitized liabilities	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
a) issued debt securities		
less than one year	73,470	-
more than one year and up to five years	-	77,006
more than five years	-	-
accrued interest	977	1,024
b) miscellaneous securitized liabilities		
less than one year	-	-
more than one year and up to five years	-	-
	74,447	78,030

c) Receivables from, and liabilities owed to, affiliated enterprises

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
Receivables from banks	320,462	468,659
Receivables from clients	15,613	16,195
Other assets	8,857	17,091
Liabilities owed to banks	510,838	568,314
Liabilities owed to clients	746,433	890,041
Other liabilities	12,405	53,372

d) Assets and liabilities denominated in foreign currencies

	Nov. 30, 2013	Nov. 30, 2012
	TEUR	TEUR
Assets	2,134,766	2,534,077
Liabilities	2,482,523	1,758,207

e) Other notes

The Equity investments totaling TEUR 367.8 (prior year: TEUR 367.8) are not eligible for a stock market listing. The asset shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 9,259,342 (prior year: TEUR 5,192,872), debt securities and other fixed-income securities in the amount of TEUR 481,991 (prior year: TEUR 356,428), and shares including, *inter alia*, variable-yield securities in the amount of TEUR 242,041 (prior year: TEUR 151,071). Of the debt securities and other fixed income securities, TEUR 481,991 (prior year: TEUR 356,428) were eligible or listed for trading on a stock market.

Of the shares and variable-yield securities, TEUR 242,041 (prior year: TEUR 151,071) were eligible or listed for trading on a stock market.

The item shown as other assets in the amount of EUR 19.4 million (prior year: EUR 14.4 million) includes primarily tax receivables of EUR 8.2 million (prior year: EUR 7.0 million), initial margin payments made and totaling EUR 7.0 million (prior year: EUR 4.1 million), claims under reinsurance policies of EUR 2.6 million (prior year: EUR 3.1 million) and receivables under intra-group compensation invoices totaling EUR 1.5 million (prior year: EUR 0.0 million).

The liability shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of TEUR 9,332,817 (prior year: TEUR 5,244,409) and liabilities arising from issued and outstanding debt securities in the amount of TEUR 572,477 (prior year: TEUR 429,686).

The securitized liabilities include other securitized liabilities in the amount totaling EUR 74.4 (prior year: EUR 78.0 million). This item contains debt securities, which are linked to loans made to clients (credit linked notes). The item was included in a hedged item pursuant to § 254 HGB.

The item other liabilities in the amount of EUR 20.6 Mio (prior year: EUR 62.5 million) relates primarily to liabilities under the profit transfer obligation and totaling EUR 12.4 million (prior year: EUR 53.4 million), liabilities arising from the restructuring and totaling

EUR 4.0 million (prior year: EUR 4.2 million) and value added tax in the amount of EUR 1.7 million (prior year: EUR 1.4 million).

The item entitled "other accrued liabilities" relates primarily to provisions made for restructuring, bonuses and early retirement obligations. Provisions for restructuring during the course of the fiscal year equaled EUR 3.4 million (prior year: EUR 9.6 million). Provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 21.2 million (prior year: EUR 22.3 million).

An affiliated enterprise has contributed silent partner capital in the amount of EUR 122.7 million (prior year: EUR 122.7 million). The silent partner's share of the profits in fiscal year 2013 was EUR 4.2 million, which will be allocated in its entirety to the silent partner.

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of EUR 545.2 (prior year: EUR 593.9 million). The Bank believes that the likelihood that claims will be made under the guarantees and warranty contracts, which are shown in the balance sheet, is small due to the current credit-standing of the beneficiaries. We have found no evidence that would compel us to reach a different conclusion.

Of the irrevocable credit lines granted in the amount of EUR 732.9 million (prior year: EUR 1,024.9 million), approximately EUR 678.5 million (prior year: EUR 902.6 million) had a term to maturity of more than one year. The lines of credit have been granted exclusively to non-banks.

As of the balance sheet date, the Bank had not engaged in any off-balance sheet transactions which fall within the meaning of § 285 no. 3 HGB and which were outside the ordinary course of business.

Transactions with related parties within the meaning of § 285 no. 21 HGB are made only on an arm’s length basis.

f) Other contingent liabilities

The Bank has joined the True Sale Initiative led by the German Bank of Reconstruction and Development (*Kreditanstalt für Wiederaufbau*), located in Frankfurt am Main, and has committed to making a capital contribution to the company servicing the securitization platform. The contribution obligation is limited to EUR 1.9 million.

The Company also has an obligation to provide additional funding in the amount of TEUR 1,700 to Liquiditäts-Konsortialbank Gesellschaft mit beschränkter Haftung, Frankfurt/Main. This contribution equals five times the amount of its participating interest, which is TEUR 340.

In addition, under a type of absolute guarantee [*selbstschulderische Bürgschaft*], the Bank has assumed secondary liability for the performance of the additional funding obligations of the other member banks of the banking association known as Bundesverband deutscher Banken e.V.

Since the 4th quarter of 2009, the Bank has been participating in the credit filing system [*Krediteinreichungsverfahren*] of the German Central Bank [*Bundesbank*], pursuant to which the credit commitment on file serves as security for the cash funds received.
The Bank will also be liable under the debt assumption dated November 30, 2011 in connection with the benefits owed for the pension commitments. Commensurate indemnity payments, the amount of which tracks the period of service expense, have been contractually promised by the contracting partners.

3. Notes on the Income Statement

The income and expenses included in the income statement were generated from both domestic and foreign business sources.

Net interest income totaled EUR 5.6 million (prior year: EUR 11.5 million).

Commission income was EUR 125.6 million (prior year: EUR 162.3 million). This amount includes primarily brokerage commissions of EUR 79.6 million (prior year: EUR 111.2

million) from affiliated enterprises, commissions on securities transactions, and Eurex products.

Commission expenses decreased by EUR 8.8 million to EUR 1.9 million (prior year: EUR 10.7 million). This decrease can be attributed mostly to a decline in intra-group cost sharing for relationship management of EUR 10.4 million.

The net income of the trading portfolio was the result primarily of gains and losses from the currency risk trading book in the amount of TEUR 15,208.1 (prior year: 9,858.4) and from the equities and index risk trading book in the amount of TEUR 33,107.1 (prior year: TEUR 22,044.8). The loss reported in the other trading book equals TEUR 9,368.4 (prior year: TEUR 3,331.3) and consists mostly of results from warrants traded on commodities and precious metals and from exchange-traded precious metal futures. The result in the interest rate risk trading book is TEUR 18 (prior year: TEUR 832 loss) and includes results from interest rate swap agreements.

Under the item net income of the trading portfolio, an amount of EUR 3.9 million (prior year: EUR 2.8 million) was deducted pursuant to § 340e (4) HGB and then added to the fund for general bank risks in accordance with § 340g HGB.

Other operating income was EUR 11.4 million (prior year: EUR 26.4 million) and included mostly income from passing-through costs to affiliated enterprises in the amount of EUR 6.3 and income from reinsurance claims (*Rückdeckungsansprüchen*) in the amount of EUR 3.5 million. The item "other operating income" includes income unrelated to the accounting period of EUR 0.1 million (prior year: EUR 0.1 million).

Personnel expenses fell by EUR 12.2 million to EUR 74.4 million (prior year: EUR 86.6 million). The change can be traced mostly to the decrease in the restructuring expenses.

The other administrative expenses totaled EUR 76.6 million (prior year: EUR 74.1 million) and consist primarily of processing costs of Citibank N.A., London, custody fees, rents and costs for the listing of derivative products.

The other operating expenses equaled EUR 11.6 million (prior year: EUR 0.1 million) and included mostly expenses and income (net) from valuing the plan assets (*Pensionsdeckungsvermögens*) and the pension obligations in the amount of EUR 5.9

million and losses from selling loan commitments and receivables in the amount of EUR 5.7 million.

In the fiscal year, the Bank booked taxes on income and earnings in the amount of EUR 0.3 million (prior year: EUR 0.5 million).

Effective as of the end of fiscal year 2008, the tax allocation agreement that had been in place with Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt, was terminated. The expenses incurred for domestic taxes are still shown at the level of the tax group parent company (*Organträger*).

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt, in the amount of EUR 8.2 million and to the silent partner in the amount of EUR 4.2 million.

4. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2013 includes:

a) Annual audit services	EUR 767,828.00
b) Other consulting services	EUR 132,405.00
c) Tax advisory services	EUR 0.00
d) Miscellaneous serves	EUR 15,000.00
e) Total	EUR 915,233.00

5. Notes on Derivative Transactions

a) Types of derivative transactions

As of November 30, 2013, the Bank's derivative transactions included the following types of transactions:

aa) Trading transactions

aaa) **Foreign currency risk trading book:** OTC currency option transactions and currency warrants.

aab) **Equities and index trading book:** Equities and other variable-yield securities in the trading portfolio, OTC equities and index options, equities and index warrants, exchange-traded futures and options on equities and equity indexes, as well as index certificates and equity certificates.

aac) **Interest risk trading book:** interest rate swap agreements.

aad) **Other trading book:** exchange-traded precious metal futures and warrants on commodities and precious metals.

b) Maturities of derivatives

The total volume of derivative transactions can be classified according to maturities per November 30, 2013, as follows:

ba) Foreign currency risk trading book

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC currency options					
Bought	28	6	-	34	0.2
Sold	-	1	-	1	-
Currency warrants					
Own issues					
Bought	1,369	388	-	1,757	99.8
Sold	1,471	414	-	1,885	./.101.8
Exchange-traded futures					
Bought	4	-	-	4	-

The foreign currency risk trading book consists primarily of options on the price of gold. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term).

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bb) Equities and index trading book

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Equity warrants					
Own issues					
Bought	4,670	3,579	-	8,249	2,525.8
Sold	5,716	4,055	-	9,771	./. 2,617.9

Third party index warrant issuers					
Bought	120	-	-	120	11.5
OTC-Index-Options					
Bought	13	5		18	**0.7**
Index warrants					
Own issue					
Bought	13,545	13,670	-	27,215	6,558.0
Sold	14,549	13,888	-	28,437	./ 6,595.7
Third party equity warrant issuers					
Bought	1	-	-	1	0.2
Exchange-traded index futures					
Bought	217	-	-	217	0.5
Sold	327	-	-	327	./. 5.1
Exchange-traded index options					
Bought	561	39	-	600	13.1
Sold	81	2	-	83	./. 2.2

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded stock options					
Bought	764	154	-	918	65.5
Sold	90	31	-	121	./. 3.8
Index and equity certificates					
Own issue					
Bought	179	183	-	362	482.0
Sold	224	184	-	408	./. 572.5

The Equities and index trading book includes mostly options on European and American stocks and options on European and American exchange indexes. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term).

bc) Interest rate risk trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Interest rate swap agreements					
Bought	-	5	-	5	1.1
Sold	-	5	-	5	./.1.1

The interest rate risk trading book includes two interest swaps, which exhibit exactly identical but countervailing basic [*gegenläufige Grunddaten*] data (hedge). The cash flows anticipated from the derivatives cancel each other out.

bd) Other trading operations

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Warrants on commodities and precious metals					
Own issues					
Bought	17	24	-	41	5.9
Sold	37	25	-	62	./.6.1
Exchange-traded precious metal futures					
Bought	1	-	-	1	-

The other trading operations trading book includes above all options on the price of oil and silver. The cash flow anticipated from the derivatives depends mainly on how the underlying performs. As of the balance sheet date, the book contained both European options (exercise possible only at the end of the term) and American options (exercise of the option possible during the entire term).

c) Counterparty credit risk in derivatives trading

As of November 30, 2013, the credit equivalents, as defined in the German Solvency Ordinance (SolvV) before credit risk weighting and after regulatory netting, are as follows:

Credit risk	Companies and individuals and public bodies, including central banks from Zone B	Credit institutions from Zone A	Credit institutions from Zone B
Product group	Risk-weighted credit equivalent in EUR '000		
Foreign currency risk and other price risks trading book	39,920	20,928	-
Other trading transactions	1,869	15,407	-
Total	41,789	36,335	-

d) Non-settled forward transactions

In connection with the option transactions, Citigroup Global Markets Deutschland AG books the premium on the trade date. On the balance sheet date, this practice results in obligations arising from forward transactions that have not yet settled and that are reported in the trade balance sheet for currency risks, equity and index risks and other risks.

6. Miscellaneous notes

Citigroup Global Markets Deutschland AG is included in the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, which is where the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG may also be obtained. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is included in the consolidated financial statements of Citigroup Inc., as the ultimate parent company , which is headquartered in New York, 153 East 53rd Street and where the Citigroup consolidated financial statements may also be obtained.

Since 2001, Citigroup Global Markets Deutschland AG has had a branch office in London, which primarily handles the settlement of warrants transactions.

The following persons are the members of the Executive Board of Citigroup Global Markets Deutschland AG

Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director,
Dr. Nikolaus Närger, Stuttgart, Bank Director, until December 31, 2013
Samuel R. Riley, Bad Vilbel, Bank Director,
Christian Spieler, Bad Homburg, Bank Director,
Heinz Peter Srocke, Hanau, Bank Director,
Stefan Wintels, Frankfurt, Bank Director.

The Supervisory Board consists of the following members:

Hans W. Reich, Kronberg, Bank Director, Chairman,
Bradley Gans, London, Bank Director, Deputy Chairman,
Reiner Henszelewski, Frankfurt am Main, Salaried Bank Employee, Employee Representative.

During fiscal year 2013, the Bank employed an average of 281 persons. The average period of employment for staff members as of November 30, 2013 was as follows:

105	Employees	up to 5 years
68	Employees	6-10 years
54	Employees	11-20 years
43	Employees	21 years or more
270		

In the fiscal year, total remuneration to the Executive Board (including stock options granted) was TEUR 6,479.8. Pension obligations totaled approximately TEUR 1,559.0. In the reporting year, total remuneration of former members of management bodies and their survivors (including stock options exercised) totaled approximately TEUR 7,470.6. Accrued liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 40,801.4.

On the basis of the equity-based remuneration, approximately 27 thousand shares were granted as variable compensation.

In fiscal year 2013, supervisory board remuneration totaling TEUR 37.8 was granted. The Company has exercised its elective right under § 286 (4) HGB regarding disclosures about provisions for current pensions and pension expectancies [*Anwartschaften*] of the supervisory board members under § 285 (9) b.

In fiscal year 2012, the members of the advisory board [*Beirat*] were paid compensation totaling TEUR 396.7 by the Bank.

At year end, there were no outstanding loan obligations owed by members of the Executive Board of Citigroup Global Markets Deutschland AG.

In the fiscal year, Hans W. Reich was chairman of the supervisory board of Aareal Bank AG.

The subscribed capital of Citigroup Global Markets Deutschland AG consisted of registered share capital of EUR 210.6 million and a silent partner contribution of EUR 122.7 million. The registered share capital is divided into 8,236,778 no par value shares.

Frankfurt am Main, March 11, 2014

Citigroup Global Markets Deutschland AG

Dr. Jasmin Kölbl-Vogt	Samuel R. Riley
Christian Spieler	Heinz P. Srocke
Stefan Wintels	

Report from the Supervisory Board of Citigroup Global Markets Deutschland AG

Throughout the fiscal year, the Supervisory Board continually received verbal and written reports from the Executive Board about the condition of the Company and its business development. The Supervisory Board regularly received regular, timely and comprehensive reports from the Executive Board about the business routines and key developments at the Bank and the Group and monitored them even between meetings. The focal issues included, among other things, the Company's strategic plan and the scheduled changes in connection with Project Golf. The Supervisory Board also addressed numerous legislative and regulatory changes, for example the implementation of the remuneration rules under the CRD IV Directive. Thus, in accordance with the statutory provisions, it monitored the Company's management.

The Supervisory Board held four meetings during the reporting year. The subject matter of all regular Supervisory Board meetings was the regular reports from the Executive Board regarding the current condition of the Company. The Supervisory Board also adopted resolutions pursuant to the circulated resolution approval procedure [*Umlaufverfahren*], which was used to approve, *inter alia*, the merger of Citicorp Operations Consulting GmbH into the Company. The Supervisory Board had to accept the resignation of Executive Board member Dr. Nikolaus Närger effective December 31, 2013 and ensured continuity within the Company leadership by appointing Mr. Stefan Wintels to serve as the Chairman of the Company's Executive Board.

Given its size, the Supervisory Board did not form any separate committees. It does, however, regularly participate in the Audit Committee meetings, which are held as part of the Group's corporate governance process.

The members of the Supervisory Board independently engaged in educational and training programs required for them to perform their tasks. In this regard, the Supervisory Board Chairman received guidance from outside experts on complex topics such as risk management and accounting and received an outlook about the imminent regulatory, accounting and legal issues for 2014.

The annual financial statements and management report for fiscal year ending November 30, 2013, including the bookkeeping system, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and were found to comply with the statutory provisions and the Company's articles of association. The annual financial statements and management report were issued an unqualified audit opinion. We agree with the audit report.

No objections have been raised following the completed results from the audit of the annual financial statements and management report performed by the Supervisory Board. At its meeting on March 27, 2014, the Supervisory Board approved the annual financial statements per November 30, 2013 and the management report that was submitted by the Executive Board.

In the fiscal year ending November 30, 2013, there were no changes in the composition of the Supervisory Board.

The Supervisory Board thanked the Executive Board members and the employees for their commitment and contributions in the pursuit of the Company's goals.

Frankfurt am Main, March 27, 2014

The Supervisory Board

Hans W. Reich
Chairman

Auditor's Report

We have audited the annual financial statements − comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and the notes to the financial statements − as well as the bookkeeping system and the management report of the Citigroup Global Markets Deutschland AG, Frankfurt am Main, for the fiscal year from December 1, 2012 through November 30, 2013. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("*Handelsgesetzbuch*" or the "German Commercial Code") and German generally accepted standards for auditing financial statements as promulgated by the *Institut der Wirtschaftsprüfer* (IDW) (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements and violations, which have a material effect on the presentation of the net assets, financial position and results of operations as reported in the annual financial statements prepared in accordance with German principles of proper accounting and in the management report, are detected with reasonable certainty [*hinreichender Sicherheit*]. Knowledge of the business activities and of the economic and legal environment in which the Company does business as well the expectations about possible mistakes are taken into account in determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the information contained in the books and records, the annual financial statements and the management report are examined largely on a test sampling basis during the course of the audit. The audit includes an assessment of the accounting principles used and of the significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not lead to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and present, in accordance with the German principles of proper accounting, a true and fair view of the net assets, financial position and results of operations of the Company. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 14, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pfeiffer Wirtschaftsprüfer	Neuweiler Wirtschaftsprüfer

SIGNATURES

Frankfurt am Main, 7 April 2015

Citigroup Global Markets Deutschland AG,
Frankfurt am Main

signed by Dirk Heß Director	signed by Steffen Thomas Vice President