

Citigroup
Global Markets Deutschland AG

Frankfurt am Main

Registration Document

6 April 2016

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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 cannot 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.

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.

Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is also entitled to issue disadvantageous instructions to the Issuer in individual cases in accordance with § 308 (1) sentence 2 AktG that may adversely affect the financial and liquidity position of the Issuer. The occurrence of this risk depends inter alia on the financial position and results of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG.

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**") as well as the regulation (EU) No. 806/2015 of the European Parliament and the Council of 15 July 2014 (the Single Resolution Mechanism – "**SRM**") which has entered into force in substantial parts on 1 January 2016 and establishes a uniform winding-up procedure within the euro area. 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, in Germany the Financial Market Stabilisation Authority (*Bundesanstalt für Finanzmarktstabilisierung* - "**FSMA**") to apply resolution measures.

Subject to certain conditions and exceptions, the FSMA 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 debtor of the Warrants and Certificates (therefore the Issuer) can obtain another risk profile than originally or the original debtor can be replaced by another debtor (who can possess a fundamental other risk profile or another solvency than the Issuer) following resolutions of the FSMA 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 Europe plc, Dublin, 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 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. In general, the Issuer's interest rates book has a very short-term character. 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 risks

- Outsourcing 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.

- 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.

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".

- 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.

- Risk of fraud

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

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 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.

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 2015 and 2014) 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 1 January 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).

Exit of the silent partner as of 30 November 2015

The silent partner contribution of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG was repaid by the Issuer as of 30 November 2015. As contribution therefore, the Issuer received a capital infusion from Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG for the same amount, which was then apportioned to the Issuer's capital reserves. These transactions resulted in an increase in the regulatory equity capital.

5.2 Development of the Issuer

Significant events that may have a material impact on the assessment of the Issuer's solvency cannot 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 has so far been 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. This initial amount is no longer part of the current discussions with the tax authority. The tax authority has neither issued a tax bill (*Steuerbescheid*) in this matter nor is a proceeding pending in this regard. In case the tax authority's view should succeed further tax liability for the years 2009 to 2011 may arise which cannot 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 7.2 million Euro is an adequate figure in this respect.

Furthermore, it should be noted that Citigroup is continuously verifying the appropriateness of 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 be-

yond that in Finland, France, the Netherlands, Portugal 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 Europe plc, Dublin (London Branch), 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, G10 Markets 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 Europe plc, Dublin, 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.

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).

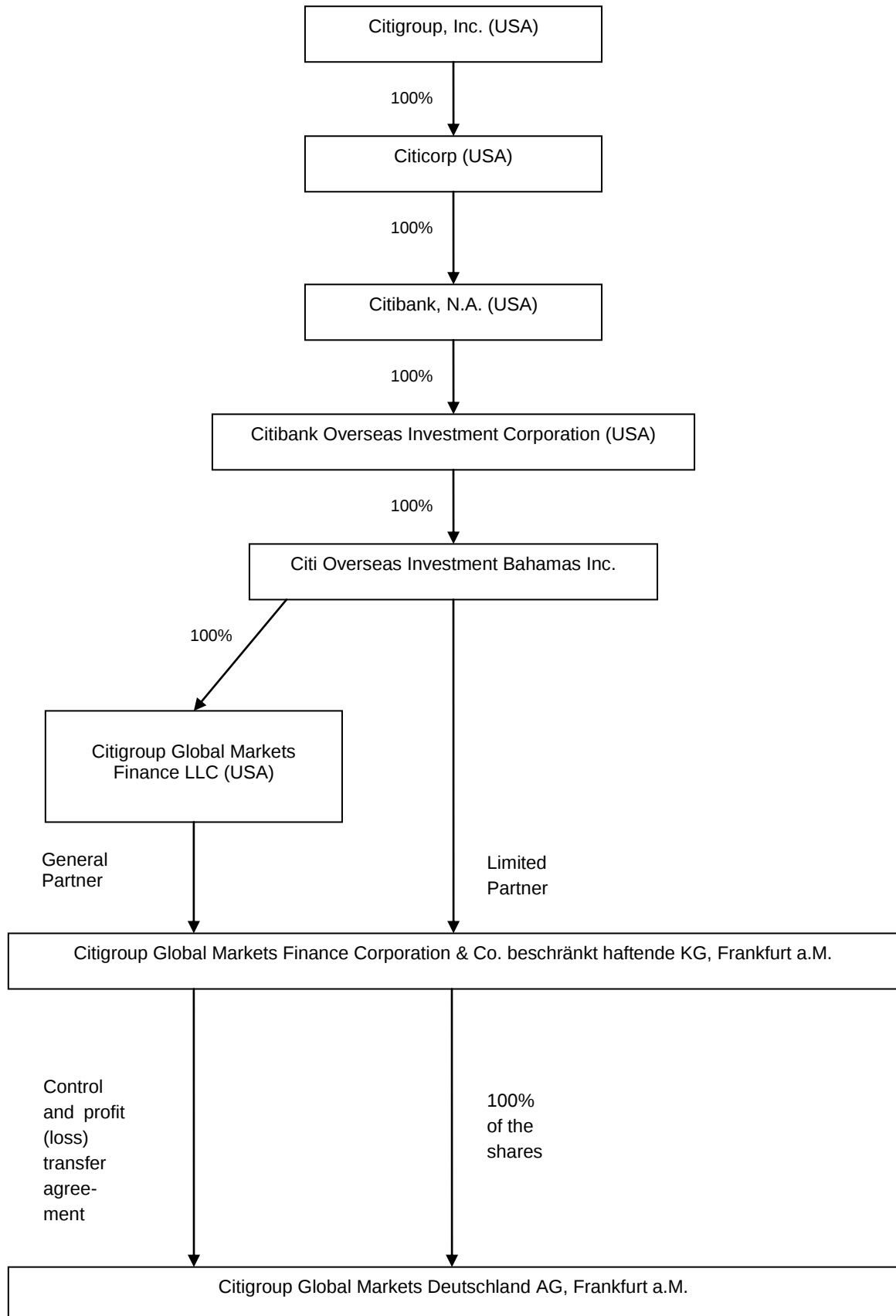
In addition to the integration of the Issuer into the Citigroup Inc. Group, a control and profit (loss) transfer agreement has been executed by the direct parent company and the Issuer.

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 continuously verifying the appropriateness of its organizational structure.

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 2015.

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 is projecting a moderate increase in the growth rate in 2016, from 2.6% to 2.8%. Thus, 2016 should continue the growth trend of the years 2012 – 2015 and remain below the long-term level 3%. No significant growth rate increases are expected in 2016 for the industrial countries in which the growth tends to be more robust. In contrast to this, adjustment changes are possible with respect to developing countries and China. The Federal Reserve Bank's move to raise the prime interest rate in December 2015 should not trigger any major interest rate hikes by the central banks outside of the United States. Indeed, the European Central Bank (ECB) is expected to continue keeping the key interest rate at the negative level or even to cut it further. This divergence in monetary policy could cause a significant appreciation in value of the US dollar. The excess in liquidity is widening the gap between the global finance sector and the global economy. The geopolitical risks in the form of socioeconomic risks are rising due to the refugee crisis and the increase in terrorism.

The growth of the US economy in 2016 should remain at the prior year level of 2.5%, however, in light of the persistent weakness in global growth, the appreciation in value of the US dollar and other non-inflationary factors such as raw materials and energy prices, it remains to be seen how sustainable the economic growth will be.

The recovery in the Eurozone remains fragile. For 2016, a modest increase in growth from 1.5% to 1.8% is expected. Nevertheless, the moderate support provided by fiscal policy, a weak euro and favorable financing costs primarily help the periphery. In spite of small increases, inflation remains below the target rate set, and therefore, the ECB could continue to expand monetary policy and extend its asset purchase program until 2017. Such action could ultimately double the volume of the quantitative easing program. In light of the increased regulation of banks, the expansive liquidity policy of the ECB continues to cause increased volatility.

The growth corrections of the Chinese economy should diverge into "real" growth values in 2016, which the Issuer estimates to be around 4-5%. Virtually all assessments of China's growth reflect some economic adjustments, above all in the "old sectors," which are facing significant challenges such as overcapacities, over indebtedness and loss of competitiveness. These led to the price slump on the Chinese stock market at the end of 2015 and at the start of 2016 with wide-reaching effects, not only on the Asian stock markets. In contrast to the "old sectors," the service sector should see relatively stable development. In light of the weak demand in the "old sectors," the future growth of China is expected to be less commodity-driven and less import-driven. The growth in Asia might also be dampened on the basis of this weak external demand and the continued high household debt in countries such as Korea, Singapore, Malaysia and Thailand. Additionally, China's transition from the "workbench of the world" to a country with "end-to-end" production is having far-reaching effects on the global economy. Through China's changed production methods, the further development of products (including core technology) could also take place in China. The Emerging Markets are likely, as men-

tioned above, to feel the weak external demand, and will have to rethink their growth models.

The other developing countries could expect a moderate rise in growth, since some of them have needed alternative growth models for some time already. For 2016, the Issuer is expecting a cumulative growth rate of 4%, compared to 3.5% in 2015. However, this could be attributable to adjustments to the growth strategy in those countries that suffered a decline in growth in 2015 (e.g., Russia is likely to grow by 0.5% in 2016, and Brazil by 2.2%, while both countries suffered a contraction of more than 3% in 2015).

Since 2015, another major challenge to the global economy has been the decline in commodity prices, above all the price of oil. This price is expected to remain at the low level in 2016. Above all in the first half of 2016, the Issuer is expecting another decline in prices with moderate adjustments in the second half of the year. This shall remain a major challenge primarily for the oil exporting countries (Saudi Arabia, Venezuela, Nigeria and Russia). The vendors and suppliers of the oil industry are also battling declines in earnings. Financial institutions with large portfolio investments in the oil and energy sector are experiencing increased risks as a result. Potential sales of the sovereign wealth funds of countries in economic distress could also lead to additional volatility in the financial markets.

For Germany, the Issuer is projecting a moderate increase in growth from 1.5% in 2015 to 1.7% in 2016. As in the prior year, we assume for 2016 that domestic demand (primarily consumption) will be the major growth factor. Cheap oil, robust employment and small nominal increases in income will likely increase consumer spending and bolster investment in business and construction work. Nevertheless, the export demand particularly from developing countries and from China is expected to remain weak. The potential fallout from the Volkswagen scandal on the German automobile industry is difficult to assess. The public and private expenditures for the refugee crisis could constitute a mini-stimulus. At the same time, the refugee crisis has provoked political clashes, the likes of which have not been seen for decades.

8.2 Outlook for the banking industry

Even though the recovery of the global banking industry after the 2008 financial crisis was protracted, the sector is currently in a more stable condition than in previous years. The expectation for 2016 is therefore that the sector should further stabilize due to improved capital resources and liquidity positions (propelled by regulatory reforms). However, considerable uncertainty and risks persist, which could have effects on the banking industry. These include China's decline in growth, higher US interest rates and the associated potential currency volatility, low commodity and energy prices, regulatory developments and geopolitical risks. Therefore, the development of the banking industry could turn out somewhat differently depending on the region. The banking sector is likely to continue to develop away from the real economy in 2016.

In the United States, the pressure on profitability should increase somewhat with the rise in interest rates in 2016. Some US banks with energy loans in their portfolios could suffer a potential deterioration in their asset quality in view of the low oil prices. Expenditures for legal disputes and penalties as well as cyber security attacks remain, as before, a major risk that is difficult to calculate.

In Europe, the financial fundamentals should stabilize due to increased regulation, improved capital resources and a moderate increase in demand from the private sector. Nonetheless, the pressure on profitability could increase in 2016, which could further

reduce the net margins in light of the negative interest rates. In addition, the geopolitical risks will likely have ramifications.

Overall, the potential for earnings growth within the banking sector must be viewed with caution in light of the continued low or negative interest rate levels, the ever-rising regulatory requirements and demands of many firms to optimize their business models, and the market volatility that is expected to persist. Although financial institutions benefit from favorable refinancing costs, the administrative costs nevertheless continue to rise despite all of the efforts to restructure. The cost-income ratio should therefore remain the focus of the optimization.

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, Independent Research (Covered Bonds), CSIS 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, Bad Homburg v.d.H., Director, Share and Warrant Business, Alternative Investments, Fixed Income Products, Bond Issues and Markets Treasury, Private Banking, Direct Custody & Clearing and Securities Services;
- Stefan Hafke, Kelkheim, Director, Corporate Banking and Treasury Trade Solutions;
- Andreas Hamm, Dreieich, Director, Internal Operations/Business Organisation, Settlement (securities, payment transactions), Information Technology, Operations & Technology Risk & Control, Asset Finance Operations;

- Thomas Falk, Hochheim/Main, Director, Risk Controlling and Loans(back office);
- Dr. Silvia Carpitella, Frankfurt am Main, Director, Accounting, Corporate Treasury/Liquidity Management and Tax Department;

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 continuously verifying the appropriateness of 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 2015 and 2014 respectively are included in this Registration Document in Annex I on pages F-1 through F-73 (2015) and in Annex II on pages G-1 through G-68 (2014). The information contained in sections "3.2 Opportunities and outlook of the Business Divisions" and "3.3 General statement about anticipated performance" on the pages F-17 through F-19 of the management report for fiscal year 2015 will not be incorporated into this Registration Document. Furthermore, the information contained in sections "3.1.3 General statement about anticipated performance" and "3.2 Significant opportunities for the business divisions" on the pages G-15 through G-16 of the management report for fiscal year 2014 will not be incorporated into this Registration Document.

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 2015 and 2014, 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 2015 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 requested 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 Millennium AG in 2009/2010. The proceedings were terminated by court settlement in October 2015. The proceedings have not had any material effect on the Issuer's financial condition or profitability.

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 2015 and 2014.

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 2015

Annual Balance Sheet as of 30 November 2015	Page F-35
Income Statement for the Period of 1 December 2014 through 30 November 2015	Page F-39
Cash Flow Statement pursuant to DRS Nr. 2-10	Page F-41
Notes to the Financial Statements for Fiscal Year 2015	Page F-43

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Citigroup Global Markets Deutschland AG

Management Report for Fiscal Year 2015

1 Background Information about the Bank

1.1 Business model

Citigroup Global Markets Deutschland AG, Frankfurt a. M. (hereinafter referred to as “CGMD”), is one of the leading foreign investment banks in Germany¹. CGMD operates its business from Frankfurt and also maintains a branch in London.

In its business, CGMD benefits, above all, from its integration in the global network of Citigroup (“Citi”), which has a presence in over 100 countries. In this connection, CGMD offers its services and facilitates services and solutions for other companies within Citigroup. CGMD also provides support in Germany to numerous subsidiaries of internationally operating corporate groups that maintain a business relationship with other affiliated Citigroup companies in their respective home countries. In its role as strategic hub, CGMD also supports or advises clients from other markets such as Austria, Switzerland and the Scandinavian countries.

CGMD’s business activities are organized into the three following business divisions (*Geschäftsbereiche*):

- Markets & Securities Services (“MSS”),
- Corporate & Investment Banking (“CIB”) and
- Treasury & Trade Solutions (“TTS”)

In addition to these business divisions, there are also supportive divisions such as Risk Controlling, Finance, Treasury&Tax, Support & Business Services, Legal, Human Resources, Audit and Compliance.

The **MSS** Business Division is divided primarily into the following business segments (*Geschäftsfelder*):

- Capital Markets,
- Underwriting,
- Securities Services.

In Capital Markets, CGMD has an active presence in the equities business, specifically in – among other areas – the sale and brokerage of warrants and certificates, and in the placement of equities and equity derivatives to institutional investors. Bonds and interest rate and credit derivatives are likewise sold and marketed in this business segment. Other products and services include structured financing solutions as well as simple flow transactions. Capital Markets continues to handle CGMD’s short-term liquidity management related to the ten leading currencies (G10 Markets Treasury) as well as foreign exchange management from its London branch.

Underwriting is focused exclusively on the bond market and is handled locally in CGMD by two teams whose client focus is “Corporates” or “Banks, Sovereigns and International Organizations”. Securities Services encompasses activities such as securities settlements and custody. Under this business segment, CGMD advises foreign clients on their activities in Germany and local clients on their business activities abroad.

On the basis of long established and sustained customer relations, the **CIB** Business Division is in a position, based on its closely integrated collaboration with the MSS and TTS Business Divisions, to offer its clientele an all-inclusive range of products, thereby exploiting competitive advantages. The CIB Business Division is therefore responsible for the CGMD client relationships spanning all products; i.e. it coordinates all products and services that these clients may order from Citigroup throughout the world. The CIB Business Division has also been assigned responsibilities for advising on mergers and acquisitions (M&A) and for arranging syndicated and bilateral corporate loans.

The **TTS** Business Division offers various services related to the liquidity management and trade financing.

Overall, CGMD advises approximately 120 core clients, including almost all corporate groups listed on the DAX and various other enterprises listed on the M-DAX, major international industrial, insurance and banking groups, and the German government (including the Federal States and other Public Institutions).

¹ Source: ICG Analytics and Dealogic full year 2015 und 2014 data as of December 31, 2015, updated through January 6, 2016.

Based on the Citigroup'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 intra-group activity allocation and offsets. The intermediate transactions are duly recognized (booked) by other legal entities of Citigroup and are therefore not directly reflected in the CGMD's own accounting. The services thereby provided by CGMD are compensated under a transfer pricing model. This compensation is calculated primarily on the basis of CGMD's contribution of value to the Group's bottom line (based on "Expected Value") or on the basis of its incurred expenses ("Cost plus" method).

1.2 Goals and strategies

With many existing clients, CGMD already holds an important position among banks with a focus on investment banking. The most important task for the upcoming fiscal year will be building upon this strategic positioning by strengthening its market position with institutional clients in Germany and in other German-speaking areas.

In this connection and by expanding its market share in the MSS and CIB Business Divisions, CGMD is striving to become one of the top three banks in Germany in the episodic business. The episodic business includes mainly the M&A business, but also IPOs (Initial Public Offerings) and equities, bonds and convertible bonds trading.

In 2016, the operating efficiency ratio² of CGMD is expected to attain the 50-60% range as targeted by Citigroup companies.

In connection with its human resource planning, CGMD is still seeking to hold its staff numbers constant.

In 2015³, the following targets were established with regard to the female quota for positions down to the second management level below the Executive Board: 23% (by the end of the 3rd quarter of 2015), 26% (by the middle of 2017) and 30% (by the end of the 3rd quarter of 2020).

In order to achieve these objectives, the following strategies are being pursued in the business divisions:

1.2.1 Markets & Securities Services

Once again in 2016, the MSS Business Division is planning to harvest its existing strengths and expand specific business and customer segments in order to provide services to its clients in a better and more efficient form. The goal of the MSS Business Division is to assume a leading role in each individual business segment and to position Citigroup as a leading international bank in that respective market segment. Given the lack of earnings potential tied to the massive competition in Europe's largest economy, many competitors are actively retreating from capital intensive businesses. The goal is to exploit the opportunities arising from this trend in order to gain potential market share in those areas. Furthermore, the division is endeavoring to leverage Citigroup's global reach and the opportunities arising therefrom with its clients in an effort to better realize business potential ("Globally brought Locally").

1.2.2 Corporate & Investment Banking

Given the great influence of episodic transactions such as M&A transactions, the CIB Business Division is highly dependent on the general economy and the capital market environment. Thus, revenue development is rather cyclical.

The goal of the CIB Business Division is to 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, as well as for the operational management of financial flows. Unlike other market participants, CIB offers its institutional clients a broad spectrum of advisory and financial services and thereby benefits from Citigroup's global presence. In 2016, the goal is to capture additional clients and market segments on a selective basis.

² See section 1.4 ("System of controls") for an explanation of operating efficiency.

³ The 2015 fiscal year runs from Dec. 1 2014 through Nov. 30, 2015

1.2.3 Treasury & Trade Solutions

The goal of the TTS Business Division in the previous fiscal year was to preserve its market share in the face of a low or negative interest rate environment. For 2016, the goal is to realize a moderate increase in volumes primarily through the new SEPA card clearing processes. The focus will also be on developing efficient solutions in liquidity management and on expanding the supply chain finance solutions and distribution finance programs in the area of trade financing.

1.3 System of controls

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

Key benchmarks with regard to 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”⁴ for CGMD as a whole.

The operating efficiency is continually monitored by the Executive Board. In order to optimize this financial performance indicator, CGMD engages in an active cost and income management program. A range of 50 – 60% is set as the control target value for the operating efficiency within the Citigroup 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 after 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.

Since 2015, other performance factors, which are used to control and manage CGMD, are the market positioning of CGMD in the episodic business as well as the female quota. The market position is defined using the Dealogic Ranking. In this regard, the Bank looks to the overall market and to the market covered by Citigroup. In setting the female quota, the first and second levels below the Executive Board are taken into account.

CGMD prepares a strategic business plan over a three-year period, which the Executive Board discusses on a quarterly basis or even more frequently, as required. If necessary, modifications are worked in.

Just like the operating efficiency, the risk-bearing capacity and the market positioning in the episodic business, the human resource planning is a component of CGMD’s strategic planning and is tied to the developments in the banking sector and the financial markets. If key changes take place due to market developments, the human resource planning will be adjusted in a timely manner and in accordance with existing employee social conditions.

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

- setting goals and monitoring performance
- differentiating performance

⁴ Defined as expenses/income based on EBT pursuant to US GAAP.

- promoting diversity and equal opportunity among the employees

The topic of “women in management positions” has been given high priority at CGMD. After the enactment in Germany of the “Act for the Equal Participation of Women and Men in Management Positions in Private Business”, the Executive Board established as of 30 September 2015 the target quota for management (for the two management levels beneath the Executive Board) for the upcoming year. For 2016, CGMD is planning a series of programs focusing on the promotion of women.

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. Furthermore, and in accordance with the internal and external policies and requirements of corporate governance, CGMD 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 business divisions and supportive divisions. The individual Executive Board members sit on various committees (for example, the Business Risk, Compliance and Control Committee, Country Coordinating Committee, Audit Committee, Governance Committee).

The Executive Board will receive from the Risk Controlling division regular reports (on a daily, monthly and quarterly basis) regarding the status of significant risks of CGMD as well as daily reports from the Finance division 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 concentrate on balance sheet management, cash flow management and risk management. 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 CGMD’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.

1.4 Important business policy events

In fiscal year 2015, the Supervisory Board approved the following changes on the Executive Board:

- Samuel Riley and Heinz P. Srocke stepped down from the Executive Board as of September 30, 2015.
- Dr. Silvia Carpitella was elected to the CGMD Executive Board on June 1, 2015. She is responsible for Finance, Treasury and Tax.
- Since August 1, 2015, Thomas Falk has served on the CGMD Executive Board and is responsible for Risk Controlling.
- Andreas Hamm was elected to the CGMD Executive Board on August 1, 2015 and is responsible for Support & Business Services.

By virtue of the restructuring done in fiscal year 2015, the number of Executive Board members rose from six to seven persons compared to the prior year.

In 2015, the regulatory equity capital was also restructured. Until now, the silent capital contribution made by the parent company, CKG⁵, into CGMD and totaling EUR 123 million had qualified as Additional Tier 1 capital based on the grandfather clause in Article 484 of the Capital Requirements Regulation (CRR).

⁵ Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG

Nevertheless, this contribution was subject to a rising *pro rated* regulatory haircut⁶ (as of November 30, 2015: 30%). To avoid that effect, the silent capital contribution of CKG was repaid by CGMD and, as consideration therefor, CGMD received a capital infusion from CKG for the same amount, which was then apportioned to CGMD capital reserves. These transactions resulted in an increase in the regulatory equity capital in the amount of EUR 36.8 million.

Consequently, future losses will now no longer be charged against the silent capital contributions, but instead fully absorbed by the parent company, CKG.

⁶ Pursuant to Article 486 (5) CRR in combination with § 31 of the Insolvency Regulation (SolvV)

2 Economic Report

2.1 General conditions in the economy and industry⁷

Macroeconomic environment

In 2015, the global economy registered a moderate growth rate of 2.6% and thus remained at about the same lower level as in the prior year (2.7%). Due to the declining trend in production growth of the Chinese economy and weak growth in developing and emerging markets resulting from significantly lower commodity prices, the anticipated increase in growth to approximately 3.2% did not materialize. Economic growth in industrial countries remained sluggish.

The recovery of the US economy followed roughly the same course this year as it did last year (2.2%), registering a 2.5% growth rate. There were definitely positive signs of solid economic growth and a rapid decline in unemployment. The United States proved that it was indeed possible to achieve a recovery following the debt crisis through a combination of economic measures, supply side flexibility, reforms and restructuring, and debt write-offs.

The Eurozone, which has been weak for a long time, reported a moderate growth rate of 1.5% in 2015. This growth was helped along by declining oil prices, a loose monetary policy pursued by the ECB and the devaluation of the euro relative to other currencies such as the US dollar.

The 1.5% growth rate in Germany was higher than in the previous year (1.4%) and beat market expectations of 1.2% growth for 2015. The cause can be attributed to the weak euro, which led to a rise in the export surplus and stable domestic demand.

Growth in the developing and emerging countries dropped back this year to 3.5%. This slowdown is obviously related first and foremost to Russia's economic recession triggered by falling oil prices and the West's sanctions related to the Ukraine conflict.

Due to CGMD's integration in the global network of Citigroup which has a presence in over 100 countries and the related provision of services and facilitation of services and solutions to other companies within the globally operating Citigroup, the trends in all described economic sectors are relevant to the business development of CGMD.

Industry environment

In fiscal year 2015, the growing regulatory requirements have continued to inflate costs and decrease earnings. The market environment remained difficult, and featured persistently low and negative interest rate levels and volatile markets. The banking sector is also enduring numerous legal battles, which can be traced back to – among other things - the financial crisis of 2008 or the misconduct of individual participants (e.g., credit default swaps, foreign exchange trading, interest rate manipulation). The banking sector is also further decoupling from real economy.

The overall economic and political situation described in the preceding section, above all the growth concerns in China, the sanctions against Russia in connection with the ongoing Ukraine crisis and the fall in oil prices, have all hurt earnings in the banking sector because certain transactions could not be consummated.

In the episodic business, CGMD is one of the leading competitors in Germany (placing 5th in the 2015 Dealogic Ranking⁸). CGMD has exhibited a strong market position above all in the M&A business (placing 3rd in the 2015 Dealogic Ranking). Furthermore, CGMD is a leader in direct custody and clearing and in underwriting certificates for which CGMD has received numerous distinctions from the German ZertifikateAward.

⁷ Source: Citigroup Research "Global Economic Outlook and Strategy".

⁸ Source: ICG Analytics and Dealogic full year 2015 und 2014 data as of December 31, 2015, updated through January 6, 2016.

2.2 Overview of CGMD business performance

Despite a largely difficult market environment, 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, equity and debt market financings, lending transactions in the investment grade sector. Overall, CGMD ranked 5th in episodic business. The targeted goal for 2015 of climbing to one of the top 3 banks in the episodic business was achieved with respect to CGMD clients only, but not with respect to market as a whole⁹, despite an increase in market share from 5.7% to 6.0%.

CGMD has retained its leading position as an underwriter in the area of certificates. In the direct custody and clearing segment, CGMD was able to stake a good market position in 2015 and also expand it through new client acquisitions.

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

Compared to the planned range of 50-60%, the operating efficiency target during the reporting period was not achieved after factoring in the one-time, non-recurring effects.

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 met.

In 2015 as well, the business and risk strategy was reviewed by the Executive Board and Supervisory Board, which also confirmed that the priorities had not changed.

2.2.1 Markets & Securities Services

The MSS Business Division was able to hold its ground in 2015 despite a difficult market environment. In certain business segments, it was able to increase not only its market position but also its revenues and earnings.

In equities, certificates and warrants trading, the business division was able to successfully maintain or expand its market position. The product range was expanded, and business drop-offs in other divisions were compensated.

In the equities business, the efficiency was further improved in 2015 as well. Contributing to this trend were a stable secondary business and the market leadership position in German IPOs. In the institutional derivatives business, the business climate remained challenging. Earnings were at the same level as in the prior year.

The market environment with respect to the sale of interest rate and credit derivatives as well as structured financing solutions developed with some difficulty. The trend of competitors partially or completely retreating from capital intensive business areas persisted. MSS was able to exploit some of the gaps emerging therefrom in order to remain one of the leading suppliers in a shrinking market.

In the foreign exchange business, the euro's decline - particularly in the first quarter – resulted in higher revenues and income generated with large companies that run a successful export business.

In 2015, commission income rose to EUR 97.4 million. After adjusting for the non-recurring effects in 2014, rise represents a 44% growth rate. The trading result declined slightly by EUR 2.0 million to EUR 55.1 million.

⁹ For internal controlling purposes, the entire market ("universe") is divided into the submarkets: customers of CGMD ("coverage") and non-customers of CGMD ("non-coverage").

2.2.2 Corporate & Investment Banking

Despite persistent macroeconomic uncertainty and political tension, the CIB Business Division performed favorably in 2015. A key feature for the year was the increase in M&A transactions for CGMD's clients. This increase is reflected in the advisory engagements as well as in a higher demand for financing, risk assessment strategies for currency and interest positions, and the underwriting of capital market instruments.

Through the financing of cross-border M&As, the revenues and earnings in CGMD's underwriting business were increased significantly.

The CIB Business Division improved its commission income to EUR 35.6 million. This represents a 74% increase after adjusting for non-recurring effects in 2014.

2.2.3 Treasury & Trade Solutions

In 2015, the TTS Business Division of the Liquidity Management product area reported a result that was almost unchanged from the prior year. The initiative to solicit new business continued to confront a low interest rate or negative interest rate environment and margin pressure arising from the launch of SEPA. The replacement of domestic payment formats specific to card payments in the electronic direct debit systems was successfully tested and the first client was migrated in mid-January of 2016.

In 2015, 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 2015, as in the prior year, the demand for supplier financing on the basis of supply chain finance programs or at the bilateral level increased significantly in Germany as well.

Commission income equaled EUR 7.8 million and therefore declined slightly in 2015 (-5%).

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, 2015 rose from the prior year by EUR 2,511.4 million to EUR 11,205.8 million. The largest single line items on the balance sheet are receivables from banks in the amount of EUR 3,471.5 million (prior year: EUR 3,202.1 million) and liabilities owed to banks in the amount of EUR 2,053.7 (prior year: EUR 1,903.1 million) and the assets in the trading portfolio totaling EUR 7,466.8 million (prior year: EUR 5,143.5 million). As of the balance sheet date, CGMD reported liabilities in the trading portfolio totaling EUR 7,480.4 million (prior year: EUR 5,114.1 million). The trading portfolio assets and liabilities result largely from warrants business and include the traded products recognized at market value. The increase in trading portfolio assets and liabilities occurred primarily because of the extensive market activities during the course of the fiscal year.

In addition, a special item was created ("fund for general banking risks") pursuant to § 340g HGB in the amount of EUR 25.7 million (prior year: EUR 19.6 million).

The Company's equity capital was EUR 590.5 million (prior year: EUR 590.5 million) as of November 30. The silent partner contribution in the amount of EUR 122.7 million was paid back as of November 30, 2015. At the same time, the capital reserve account was increased by the same amount.

Contingent liabilities based on guarantees and warranties climbed to EUR 525.6 million (prior year: EUR 475.6 million).

Irrevocable credit commitments totaled EUR 581.3 million (prior year: EUR 731.8 million).

2.3.2 Financial condition

CGMD refinances itself primarily within Citigroup and, if required, through the German *Bundesbank*.

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.

CGMD 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 2015, CGMD reported a profit (before transfer to CKG and the silent partners) in the amount of EUR 32.9 million (prior year: EUR 125.7 million).

Due to the current negative interest rate environment, net interest income declined to EUR 0.4 million (prior year: EUR 4.7 million).

The EUR 92.8 million decrease in the annual net income resulted primarily from the EUR 40.6 million decline in the net commission income to EUR 146.0 million (prior year: EUR 186.6 million). The cause for this decrease was a review performed in 2014 regarding the transfer pricing used within Citigroup during fiscal years 2005-2014.

In the recently completed fiscal year, CGMD booked net income from the trading portfolio in the amount of EUR 55.1 million (prior year: EUR 57.1 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 worldwide improvement in the stock indexes once again had a favorable effect on earnings in 2015.

Personnel expenses rose moderately by 2.2% to EUR 61.1 million. The remaining administrative expenses decreased by EUR 2.6 million to EUR 71.8 million due to lower expenses arising from pass-through costs within the Group (prior year: EUR 74.4 million).

Other operating income equaled EUR 5.5 million (prior year: EUR 25.3 million) and included mostly income from reinsurance claims totaling EUR 0.9 million (prior year: EUR 2.5 million), income from the reversal of provisions in the amount of EUR 1.3 million (prior year: EUR 2.3) and income derived from pass-through costs to affiliated enterprises in the amount of EUR 1.0 million (prior year: EUR 0.9 million). Causes for the decline in other operating income are the income that booked in 2014 from the sale of the CATS trading platform in the amount of EUR 9.7 million and income from pass-through costs to affiliated companies in the amount of EUR 9.5 million.

Other operating expenses equaled EUR 32.1 million (prior year: EUR 7.6 million) and included primarily expenses and income (netted) from the valuation of the plan assets [*Pensionsdeckungsvermögens*] and the pension obligations in the amount of EUR 20.8 million (prior year: EUR 3.9 million) and EUR 5.2 million added to the provisions to account for unpaid investment income withholding tax payments for the past business years.

The profits that were transferred on the basis of a profit transfer or partial profit transfer agreement relate to CKG in the amount of EUR 32.9 million. Overall, CGMD views the development in 2015 as satisfactory and the net assets, financial position and results of operation as solid.

2.3.4 Key financial performance and non-financial performance indicators

Financial performance indicators

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

	January 1, 2015– December 31, 2015	January 1, 2014– December 31, 2014	Change
Operating Efficiency in % (Costs / income on the basis of EBT per US GAAP)	79	48	(31)
Total risk coverage in USD million per US GAAP	375	414	(39)
Risk utilization in USD million	187	224	(37)
Risk utilization in %	50	54	(4)

The massive degradation of operating deficiency from 48% in 2014 to 79% in 2015 was the result of the non-recurring effect of one-time income that totaled EUR 85.9 million in 2014 and arose because of a review of the transfer pricing arrangement used within Citigroup for fiscal years 2005 – 2014 and because of a change in the intra-Group transfer prices.

Non-financial performance indicators

Non-financial performance indicators are shown below and are used in the internal controlling:

- The **volumes** and the **market share** in episodic business equaled USD 124 million or 6.0% in 2015. Compared to the prior year, CGMD remained unchanged in 5th place in the Dealogic Ranking with a slightly increasing market share¹⁰,

In terms of the CGMD customers¹¹, the volumes and market share equaled USD 103 million or 9.1%. Compared to the prior year, CGMD remained in 3rd place in the Dealogic ranking with a strongly increasing market share.
- The **volumes** and the **market share** in the **M&A business** equaled USD 67 million or 10.9% in 2015. Compared to the prior year, CGMD climbed from 5th place to 3rd place in the Dealogic Ranking with strongly increasing market share,

In relation to CGMD customers, the volumes and market share equaled USD 59 million or 16.6% compared to the prior year, CGMD climbed from 5th place to 1st place in the Dealogic Ranking, thereby more than doubling market share.

At 53.5%, the M&A business has by far and away the greatest share in the volume of episodic business for CGMD in Germany.

Another internal controlling benchmark that serves as a non-financial performance indicator is staffing. As of the balance sheet date (November 30, 2015), CGMD employed 263 staff members (prior year: 267), including employees in the London branch.

¹⁰ Source: ICG Analytics and Dealogic full year 2015 und 2014 data as of December 31, 2015, updated through January 6, 2016.

¹¹ For internal controlling purposes, the entire market ("universe") is divided into the submarkets: customers of CGMD ("coverage") and non-customers of CGMD ("non-coverage").

In the fiscal year, the female quota was introduced as a non-financial performance indicator with goals set for the upcoming years. In 2015, the female quota was 23% for the first management level and 26% for the second management level.

3 Outlook and Opportunities

3.1 Situation in the overall economy

3.1.1 Outlook for the overall economy¹²

With respect to the development of the global economy, CGMD is projecting a moderate increase in the growth rate in 2016, from 2.6% to 2.8%. Thus, 2016 should continue the growth trend of the years 2012 – 2015 and remain below the long-term level 3%. No significant growth rate increases are expected in 2016 for the industrial countries in which the growth tends to be more robust. In contrast to this, adjustment changes are possible with respect to developing countries and China. The Federal Reserve Bank's move to raise the prime interest rate in December 2015 should not trigger any major interest rate hikes by the central banks outside of the United States. Indeed, the European Central Bank (ECB) is expected to continue keeping the key interest rate at the negative level or even to cut it further. This divergence in monetary policy could cause a significant appreciation in value of the US dollar. The excess in liquidity is widening the gap between the global finance sector and the global economy. The geopolitical risks in the form of socioeconomic risks are rising due to the refugee crisis and the increase in terrorism.

The growth of the US economy in 2016 should remain at the prior year level of 2.5%, however, in light of the persistent weakness in global growth, the appreciation in value of the US dollar and other non-inflationary factors such as raw materials and energy prices, it remains to be seen how sustainable the economic growth will be.

The recovery in the Eurozone remains fragile. For 2016, a modest increase in growth from 1.5% to 1.8% is expected. Nevertheless, the moderate support provided by fiscal policy, a weak euro and favorable financing costs primarily help the periphery. In spite of small increases, inflation remains below the target rate set, and therefore, the ECB could continue to expand monetary policy and extend its asset purchase program until 2017. Such action could ultimately double the volume of the quantitative easing program. In light of the increased regulation of banks, the expansive liquidity policy of the ECB continues to cause increased volatility.

The growth corrections of the Chinese economy should diverge into "real" growth values in 2016, which CGMD estimates to be around 4-5%. Virtually all assessments of China's growth reflect some economic adjustments, above all in the "old sectors," which are facing significant challenges such as overcapacities, over indebtedness and loss of competitiveness. These led to the price slump on the Chinese stock market at the end of 2015 and at the start of 2016 with wide-reaching effects, not only on the Asian stock markets. In contrast to the "old sectors," the service sector should see relatively stable development. In light of the weak demand in the "old sectors," the future growth of China is expected to be less commodity-driven and less import-driven. The growth in Asia might also be dampened on the basis of this weak external demand and the continued high household debt in countries such as Korea, Singapore, Malaysia and Thailand. Additionally, China's transition from the "workbench of the world" to a country with "end-to-end" production is having far-reaching effects on the global economy. Through China's changed production methods, the further development of products (including core technology) could also take place in China. The Emerging Markets are likely, as mentioned above, to feel the weak external demand, and will have to rethink their growth models.

The other developing countries could expect a moderate rise in growth, since some of them have needed alternative growth models for some time already. For 2016, the CGMD is expecting a cumulative growth rate of 4%, compared to 3.5% in 2015. However, this could be attributable to adjustments to the growth strategy in those countries that suffered a decline in growth in 2015 (e.g., Russia is likely to grow by 0.5% in 2016, and Brazil by 2.2%, while both countries suffered a contraction of more than 3% in 2015).

Since 2015, another major challenge to the global economy has been the decline in commodity prices, above all the price of oil. This price is expected to remain at the low level in 2016. Above all in the first half of 2016, CGMD is expecting another decline in prices with moderate adjustments in the second half of the half of the year. This shall remain a major challenge primarily for the oil exporting countries (Saudi Arabia, Venezuela, Nigeria and Russia). The vendors and suppliers of the oil industry are also battling declines in earnings. Financial institutions with large portfolio investments in the oil and energy sector are

¹² Source: Citigroup Research "Global Economic Outlook and Strategy" from November 30, 2015.

experiencing increased risks as a result. Potential sales of the sovereign wealth funds of countries in economic distress could also lead to additional volatility in the financial markets.

For Germany, CGMD is projecting a moderate increase in growth from 1.5% in 2015 to 1.7% in 2016. As in the prior year, we assume for 2016 that domestic demand (primarily consumption) will be the major growth factor. Cheap oil, robust employment and small nominal increases in income will likely increase consumer spending and bolster investment in business and construction work. Nevertheless, the export demand particularly from developing countries and from China is expected to remain weak. The potential fallout from the Volkswagen scandal on the German automobile industry is difficult to assess. The public and private expenditures for the refugee crisis could constitute a mini-stimulus. At the same time, the refugee crisis has provoked political clashes, the likes of which have not been seen for decades.

3.1.2 Outlook for the banking industry

Even though the recovery of the global banking industry after the 2008 financial crisis was protracted, the sector is currently in a more stable condition than in previous years. The expectation for 2016 is therefore that the sector should further stabilize due to improved capital resources and liquidity positions (propelled by regulatory reforms). However, considerable uncertainty and risks persist, which could have effects on the banking industry. These include China's decline in growth, higher US interest rates and the associated potential currency volatility, low commodity and energy prices, regulatory developments and geopolitical risks. Therefore, the development of the banking industry could turn out somewhat differently depending on the region. The banking sector is likely to continue to develop away from the real economy in 2016.

In the United States, the pressure on profitability should increase somewhat with the rise in interest rates in 2016. Some US banks with energy loans in their portfolios could suffer a potential deterioration in their asset quality in view of the low oil prices. Expenditures for legal disputes and penalties as well as cyber security attacks remain, as before, a major risk that is difficult to calculate.

In Europe, the financial fundamentals should stabilize due to increased regulation, improved capital resources and a moderate increase in demand from the private sector. Nonetheless, the pressure on profitability could increase in 2016, which could further reduce the net margins in light of the negative interest rates. In addition, the geopolitical risks will likely have ramifications.

Overall, the potential for earnings growth within the banking sector must be viewed with caution in light of the continued low or negative interest rate levels, the ever-rising regulatory requirements and demands of many firms to optimize their business models, and the market volatility that is expected to persist. Although financial institutions benefit from favorable refinancing costs, the administrative costs nevertheless continue to rise despite all of the efforts to restructure. The cost-income ratio should therefore remain the focus of the optimization.¹³

3.2 Opportunities and outlook of the Business Divisions

The expectations described herein regarding the development of CGMD and the individual business fields are based on the macroeconomic and sector-related assumptions set forth in the previous section entitled "Situation in the overall economy".

3.2.1 Markets & Securities Services

In MMS Business Division, the income and commission revenue in the client-based business will probably be impacted again in 2016 by macroeconomic factors such as uncertainty in the markets and the related volatility. The current low or negative interest rate environment will continue to set trends again in 2016. However, the advantageous money supply related thereto will favorably impact the equities and warrants business.

¹³ Source: Moody's sector publications from 14 and 16 December 2015, S&P Global Credit Outlook For Banks from December 15, 2015.

For 2016, the MMS Business Division anticipates that overall the market environment will remain difficult. Despite a good market position, it will probably be a challenge to hold earnings at the prior year level.

3.2.2 Corporate & Investment Banking

Despite the macroeconomic influences, the CIB Business Division expects a stable environment in the lending business in 2016, although the growth in business volumes will place additional pressure on the credit margins. In Corporate Banking, the emphasis will remain on nurturing the existing clientele. On the sector side, the focus will be on customers in the industrial and technology sector and private equity companies.

In Investment Banking, a high level of activity is again expected in 2016, although no significant growth in market-wide fee revenue is anticipated. In order to continue holding its strong market position in the M&A product and to gain additional market share, CGMD is endeavoring to further expand its advisor work with private equity companies and in the real estate sector.

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

For 2016, the CIB Business Division is forecasting a slight increase in commission income.

3.2.3 Treasury & Trade Solutions

In the TTS Business Division, CGMD continues to assume that there will be a tense economic climate with a low or negative interest rate environment. On the client side, this has led to a stronger demand for innovative investment opportunities, which we expect again for 2016. The additional SEPA migration in the SEPA card clearing and check processing and related advice has further intensified client relations. The successful SEPA implementation led to the system consolidation and therefore to cost reductions, but also spawned new products such as solutions in e-commerce and e-invoicing. For 2016, the TTS Business Division expects further account consolidation in the SEPA region with possible effects on the business in Germany.

In Trade Financing, the clients will probably continue to demand receivables hedging in 2016. The importance of active liquidity (cash) management using trade financing, such as supplier financing, should likewise continue to increase.

Overall, the TTS Business Division is forecasting a slight increase in commission income.

3.3 General statement about anticipated performance

Overall for fiscal year 2016, assuming that interest income remains unchanged, CGMD is expecting a result that is slightly above the level achieved in 2015. The main driver behind this result is the MSS Business Division, which does not depend on interest income.

With respect to operating efficiency, CGMD is striving to achieve in the mid-term the 50%-60% range prescribed for Citigroup companies.

The capital adequacy for fiscal year 2016 is ensured in the risk-bearing capacity calculation.

By expanding its market share in the MSS and CIB Business Divisions, CGMD is expecting to rank among the top three banks in Germany in the episodic business. In the M&A business, CGMD expects to defend and maintains its 3rd place in the Dealogic Ranking¹⁴.

¹⁴ Source: ICG Analytics and Dealogic full year 2015 und 2014 data as of December 31, 2015, updated through January 6, 2016.

In 2016, the staffing headcount is expected to be largely at the same level as it was in the recently completed fiscal year. The female quota is likely to be near 26% through the middle of 2017.

4 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 that are defined by the 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 CGMD in the Business Risk, Compliance and Control Committee (“BRCC”), which is part of the 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 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 CGMD 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 CGMD’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 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 Executive Board is kept reasonably informed about all exposures and the inherent risks.

Transactions in financial instruments that are contracted in the name of other business units of Citigroup are not included in this management report.

4.3 Overview of the types of risks

As described above, the CGMD’s business activities produce 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 clients and the counterparty limits for trade transactions as well as the issuer risks are being monitored. Monitoring is performed by a division that operates independently of the Front Office (Trading, Banking). CGMD differentiates these credit risks between settlement risks and pre-settlement exposures. The settlement risk is the risk incurred by CGMD if CGMD duly performs under a contract on settlement day, but the client does not perform. The pre-settlement exposure is the risk incurred by CGMD if the client is unable to meet its obligations under a contract and CGMD 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 limit breaches are identified, the responsible trader (including the head of the trading department) is informed without undue delay. The Executive Board will also be informed about these facts as part of its daily report and advised about the applicable thresholds.

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

At CGMD, receivables are deemed impaired and downgrade to non-interest bearing status if on the basis of an expert opinion, the collection of the receivable is considered doubtful or the interest or principal payments are more than 90 days overdue.

The calculation of a specific bad debt allowance is based on the unsecured portion of the loan commitment. The amount of the risk provision is computed pursuant to one of the following three methods:

- Present cash value of the projected future cash flow using the original effective interest rate for the loan commitment,
- Identifiable market value of the loan commitment,
- The fair market value of the security, to the extent the loan repayment depends on the recoverable value of the security.

Based on the client structure of CGMD in the lending business, there has been no need to make additions to specific bad debt allowances in recent years. The loan portfolio contains a non-performing loan that has completely written-off for years.

CGMD makes provision for latent risks in the lending business by creating general bad debt allowances. The amount of the general bad debt allowance is calculated on the basis of Opinion 1/1990 issued by the Banking Committee of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Accountants in Germany) together with a letter published by the Federal Ministry of Finance and dated 10 January 1994. A general bad debt allowance is calculated as the ratio of the average receivables default of the previous five business years to the risky loans reported on the previous five balance sheet dates.

The following table provides an overview of the structure of the loan portfolio based on the types of loan and credit scores as of the end of the fiscal year on November 30, 2015:

November_2015	Total (MM USD)			Direct			Contingent Liability			Clearing			PSR			STL		
FRR	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)
1	39	5,239	24.1%	11	4,887	71.4%	26	344	32.0%	2	8	0.1%	0	0	0.0%	0	0	0.0%
2	27	244	1.1%	13	65	0.9%	4	35	3.2%	10	145	1.1%	0	0	0.0%	0	0	0.0%
3	230	5,205	23.9%	65	1,071	15.7%	45	286	26.6%	112	3,623	26.9%	6	81	39.0%	2	144	100.0%
4	336	8,823	40.6%	82	474	6.9%	72	269	25.1%	175	7,952	59.0%	7	127	61.0%	0	0	0.0%
5_7	196	2,193	10.1%	45	345	5.0%	23	131	12.1%	128	1,717	12.7%	0	0	0.0%	0	0	0.0%
8_9	3	37	0.2%	1	0	0.0%	1	11	1.0%	1	26	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	831	21,741	100.0%	217	6,842	100.0%	171	1,075	100.0%	428	13,472	100.0%	13	208	100.0%	2	144	100.0%

In this regard, the direct, bilateral credit facility with clients is summarized under the heading “Direct Exposure”¹⁵, while “Contingent Exposures” covers contingent liabilities (aval guarantees) and “PSR” (Pre-Settlement Risk Exposure) covers fulfillment risk. Under “Clearing Risk”¹⁶, 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 group-wide 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).

The following table¹⁷ 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:

<i>EUR MM</i>	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
GERMANY	4,021	2,453	2,854	2,582	2,733	2,762	3,072
USA	140	1,604	1,538	1,881	1,620	1,744	1,497
EUROPE	184	246	173	139	130	138	134
ASIA	63	60	59	58	57	57	52
OTHER	44	49	42	37	41	46	41
Grand Total	4,453	4,412	4,666	4,697	4,581	4,747	4,795

The strong concentration of credit extensions within Germany can be explained by the implementation of the CGMD’s group-wide strategy, according to which clients, if possible, are advised from the country in which they reside.

<i>EUR MM</i>	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
FINANCE	334	1,775	1,706	1,956	1,704	1,868	1,581
GOVERNMENT	2,796	1,343	1,750	1,566	1,814	1,879	2,187
CORPORATES	1,323	1,294	1,210	1,176	1,063	1,000	1,027
OTHERS	0	0	0	0	0	0	0
Grand Total	4,453	4,412	4,666	4,697	4,581	4,747	4,795

The high percentage of credit extended to sovereign states (Government) is based on the fact that CGMD places its structural excess cash at the end of each day with the German *Bundesbank*, which is considered a “government” entity.

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 institution
- Interest rate swaps & interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent)

¹⁵ In the table on the structure of the loan portfolio, referred to as “Direct”.

¹⁶ In the table on the structure of the loan portfolio, referred to as “Clearing”.

¹⁷ All information in the following both tables are shown in EUR millions.

In order to assess the risk position in Trading and in G10 Markets 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 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 the Treasury division 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%. 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.

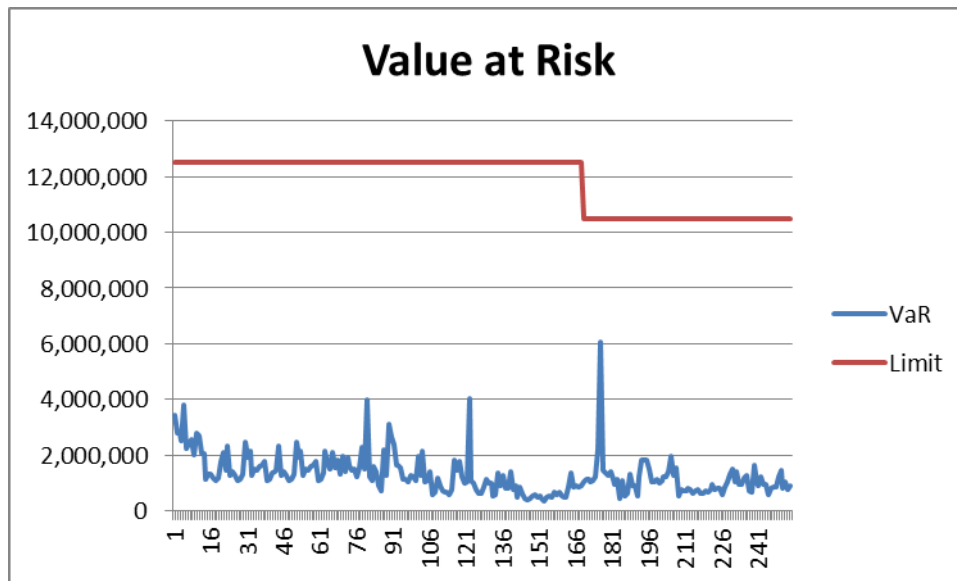
In addition, in order to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

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 Executive Board 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 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.

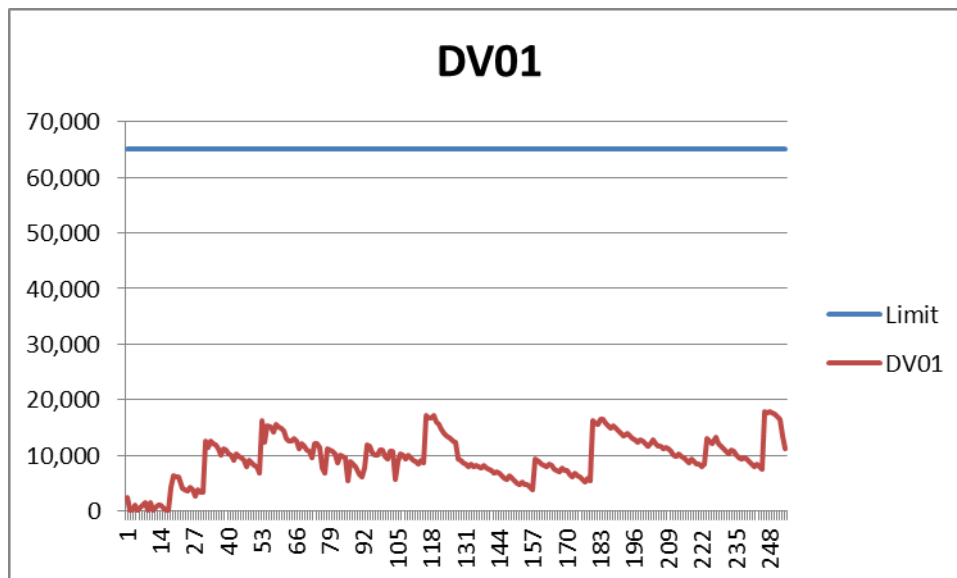
The Group's standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and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

The following diagram presents an overview of the development of the VaR in fiscal year 2015. The values shown must be seen relative to the total limit for the VaR, which was adjusted throughout the year as described below:



The VaR limit was reduced from the prior year. In past years, CGMD reported a relatively small utilization of the limit, which is why the Executive Board reached the decision to adjust the limits for market price risks to match the actual need. The reduction relates to the total VaR, which was reduced from USD 12.5 million to USD 10.5 million, as well as the stringent VaR limits for the equity warrants product group (by USD 1.5 million to USD 7.5 million) and commodity warrants (by USD 0.5 million to USD 1.5 million). Analogously, the limit for a 3-month VaR, which serves as a basis for calculating the risk capital for market price risks, was adjusted. The limit was reduced from USD 8 million to USD 6.2 million.

The following diagram charts the risk of interest rate changes for the Bank's non-trading book [*Anlagebuch*], measured by the DV01 (duration and basis point value), in fiscal year 2015 in USD. Through the DV01 risk measure, the economic loss of the non-trading book with a parallel movement of the entire yield curve will be quantified by a single basis point.



In this case as well, CGMD is exhibiting a relatively low utilization of the limit of USD 85 million that was approved by the Executive Board. As it was done before, the liquidity cushion continues to be higher than a cash reserve. This had already led in fiscal year 2015 to a sustained reduction in the risk of an interest rate change, which was justified because of the reduced duration compared to a liquidity reserves in government bonds. In the short-term, no changes are expected.

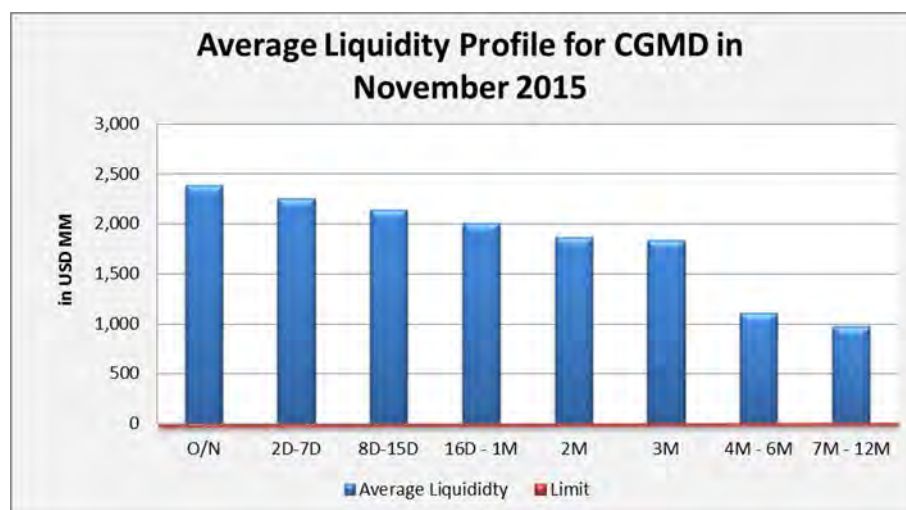
With an interest rate change of +/- 200 basis points, the amount of the potential loss calculated on this basis equaled USD 2,238k (prior year: USD 570k) on the balance sheet date. In fiscal year 2015, the

change in the cash value of the non-trading book caused thereby was significantly below the prescribed limit of 20% of the equity capital.

4.3.3 Liquidity risks

The liquidity risk is managed by the Corporate 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 Controlling monitors compliance with the limits on a daily basis and shall keep the Executive Board seasonably informed of CGMD'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 2015, 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 the Executive Board.



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, CGMD 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. In this way, the materiality of all outsourcing will be evaluated once each year by the competent Outsourcing Steering Committee upon considering numerous factors. Furthermore, it is the responsibility of all outsourcing managers to regularly review the quality of the services rendered. Problems, which are thereby identified, must be reported to the Executive Board in a timely manner but 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. The Executive Board 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 the Executive Board.

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

CGMD 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” and “corporate communication” divisions because reputation risks could arise from complaints and litigation or negative press reports. A quantification as contemplated under the risk capital concept is handled through an expert assessment. The magnitude, which is calculated thereby, is derived from the risk capital for operational risks.

Miscellaneous risks

CGMD 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. CGMD has set aside a provision in the amount of EUR 7.2 million for possible costs that could arise in connection with legal advice.

4.4 Overall bank control based on 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 CGMD. CGMD 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. CGMD uses the going concern approach as its main control approach.

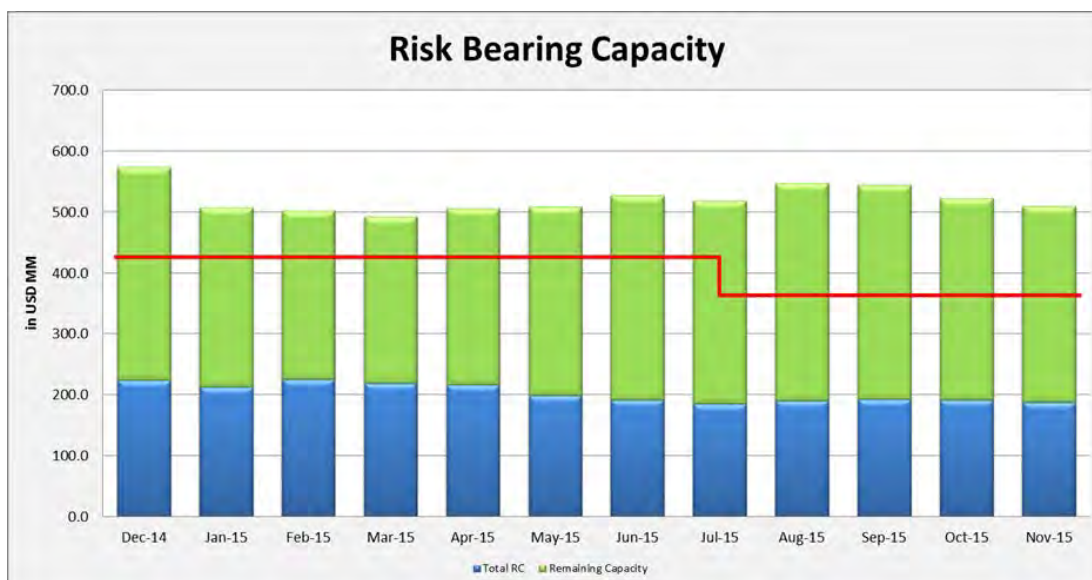
The main types of risks requiring the capital coverage as identified by CGMD are the market price risk, the credit risk, the operational risks, reputation risks and risks arising from pension funds. In this regard, CGMD uses either statistical methods (models) or expert assessments regarding the quantification 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 2015. 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-14	62.1	37.3	44.8	11.2	69.0	224.4	574.2	349.8	stable
Jan-15	59.0	32.4	41.7	10.4	69.0	212.5	507.6	295.1	down
Feb-15	59.6	32.1	41.4	10.4	82.0	225.5	502.1	276.6	down
Mar-15	58.5	30.1	39.2	9.8	82.0	219.6	493.2	273.6	stable
Apr-15	52.6	30.6	40.9	10.3	82.0	216.4	506.5	290.1	up
May-15	53.1	25.2	40.0	10.0	71.0	199.3	509.3	310.0	up
Jun-15	50.0	20.1	40.8	10.2	71.0	192.1	527.2	335.1	up
Jul-15	50.7	14.2	40.0	10.0	71.0	185.9	519.4	333.5	stable
Aug-15	50.4	15.1	40.9	10.3	74.2	190.9	547.3	356.4	up
Sep-15	50.3	17.4	40.9	10.3	74.2	193.1	545.5	352.4	stable
Oct-15	48.1	18.5	40.2	10.1	74.2	191.1	523.3	332.2	down
Nov-15	48.9	17.4	38.6	9.7	72.9	187.5	510.7	323.2	stable

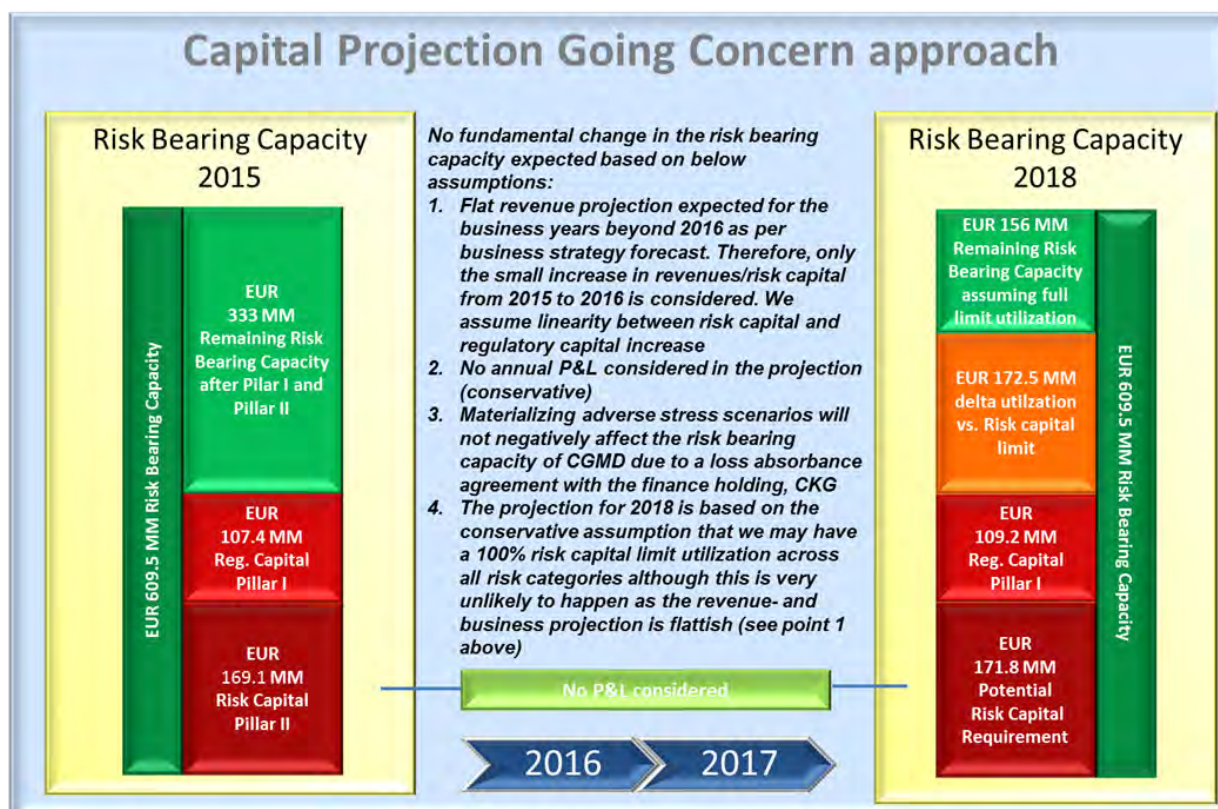
The following graphical depiction shows the committed risk capital (blue portion of bars) in proportion to the aggregate risk coverage still available (shown in green as “remaining capacity”):



In July 2015, the decision was reached to try and match up the risk capital limits, which cap the counterparty risk and the market price risk, with the actual need. This led to a reduction in CGMD's overall risk capital from what was formally USD 414 million to USD 375 million.

The risk-bearing capacity was and is guaranteed at all times in the reporting year, and CGMD 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.

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, CGMD has a tool that is customary in the industry and meets the requirements under the MaRisk.

CGMD 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.

As of the balance sheet date, the equity capital (own funds) requirements were EUR 117 million and the regulatory equity capital (own funds) was EUR 609 million. This represents a total equity ratio of 41.6%.

5 Accounting-based Internal Control System

Under the group-wide policy - "Accounting Policy Manual" (APM) – CGMD'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 CGMD'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 the Finance, Treasury and Tax divisions.

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 Human Resource Division.

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

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 Controlling personnel. The results from the MCA, the results of the internal audit and the documentation of any remedial actions thereupon launched are all logged in a database.

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 2016, CGMD intends to fully implement into the daily working procedures the measures, which were commenced in the past years, in order to further strengthen the accounting-based internal control system and intends to further improve the documentation.

6 Supplementary Report

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

Balance Sheet as of November 30, 2015

Citigroup Global Markets Deutschland AG, Frankfurt am Main

A s s e t s				
	EUR	EUR	EUR	11/30/2014 TEUR
1. Cash reserve				
a) Cash on hand		-,-		2
b) Credit balances held at central banks		<u>33,348,273.22</u>		66,074
of which: at the German <i>Bundesbank</i> (German Central Bank)				
EUR <u>33,348,273.22</u> (11/30/2014 TEUR <u>66,074</u>)				
c) Credit balances held at post giro offices		<u>-,-</u>	<u>33,348,273.22</u>	<u>66,076</u>
2. Receivables from banks				
a) Due upon demand			117,643,524.50	118,226
b) Other receivables			3,353,837,206.37	3,083,839
3. Receivables from clients			<u>219,548,107.93</u>	<u>246,531</u>
of which: secured through <i>in rem</i> security				
interests (<i>Grundpfandrechte</i>) EUR <u>-,-</u> (11/30/2014 TEUR <u>-</u>)				
municipal loans EUR <u>-,-</u> (11/30/2014 TEUR <u>-</u>)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government entities	<u>-,-</u>			-
ab) issued by other entities	<u>-,-</u>	<u>-,-</u>		-
b) Bonds and debt securities				
ba) issued by government entities	<u>-,-</u>			-
of which: qualifying as collateral for the German				
Bundesbank EUR <u>-,-</u> (11/30/2014 TEUR <u>-</u>)				
bb) issued by other entities	<u>-,-</u>	<u>-,-</u>		-
of which: qualifying as collateral for the German				
Bundesbank EUR <u>-,-</u> (11/30/2014 TEUR <u>-</u>)				
c) Own debt securities		<u>-,-</u>	<u>-,-</u>	-
fac evalue EUR <u>-,-</u> (11/30/2014 TEUR <u>-</u>)				
5. Stocks and other variable-yield securities			<u>0.00</u>	<u>-</u>

5a. Trading portfolio		<u>7,466,827,717.07</u>	<u>5,143,544</u>
6. Equity investments		<u>1,353,556.37</u>	<u>1,354</u>
of which: held in banks	EUR <u>217,842.30</u> (11/30/2014 TEUR <u>218</u>)		
held in financial service institutions	EUR <u>-.--</u> (11/30/2014 TEUR <u>-</u>)		
7. Intangible assets			
a) Internally generated industrial property rights and similar rights and assets	<u>-.--</u>		<u>-</u>
b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	<u>-.--</u>		<u>2</u>
c) Goodwill	<u>-.--</u>		<u>-</u>
d) Prepayments	<u>-.--</u>	<u>-.--</u>	<u>-</u>
8. Tangible assets		<u>1,515,418.55</u>	<u>1,568</u>
9. Other assets		<u>9,161,336.70</u>	<u>21,009</u>
10. Prepaid and deferred items		<u>2,586,341.55</u>	<u>3,653</u>
11. Excess of plan assets over post-employment benefit liability		<u>0.00</u>	<u>8,681</u>
Total assets		<u>11,205,821,482.26</u>	<u>8,694,483</u>

		Liabilities and Equity Capital			
		EUR	EUR	EUR	11/30/2014 TEUR
1. Liabilities owed to banks					
a) Payable on demand				924,328,478.88	865,988
b) Having an agreed term or notice period				22,579,332.76	21,326
2. Liabilities owed to clients					
a) Savings deposits					
aa) with an agreed notice period of three months		-.--			-
ab) with agreed notice period of more than three months		-.--	-.--		-
b) Other liabilities					
ba) payable on demand		1,199,094,279.26			1,128,956
bb) having an agreed term or notice period		854,606,243.36	2,053,700,522.62	2,053,700,522.62	774,155
3. Securitised liabilities					
a) Issued debt securities			-.--		-
b) Other securitised liabilities			-.--		-
of which:					
Money market paper	EUR -.-- (11/30/2014 TEUR -)				
Own acceptances and promisory notes outstanding	EUR -.-- (11/30/2014 TEUR -)				
c) Miscellaneous securitised liabilities		-.--	-.--	-.--	-
3a Trading portfolio				7,480,415,441.93	5,114,149
4. Other liabilities				49,830,978.59	137,377
5. Deferred income				244,878.94	273

6. Accrued liabilities

a) Pensions and similar obligations	14,892,126.00		4,157
b) Tax reserves	-.-		-
c) Other accrued liabilities	43,605,425.11	<u>58,497,551.11</u>	<u>37,998</u>

7. Funds for general bank risks as defined in § 340e (4) HGB

<u>25,743,512.35</u>	<u>19,623</u>
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8. Equity capital

a) Subscribed capital			
aa) registered share capital	<u>210,569,889.00</u>		210,570
ab) silent partner capital	<u>-.-</u>	<u>210,569,889.00</u>	122,710
b) Capital reserve	<u>318,967,162.22</u>	<u>318,967,162.22</u>	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	<u>27,916,536.71</u>	<u>60,943,733.86</u>	27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)		<u>-.-</u>	<u>590,481</u>
		<u>590,480,785.08</u>	

Total liabilities and equity capital

<u>11,205,821,482.26</u>	<u>8,694,483</u>
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EUR

EUR

11/30/2014 TEUR

1. Contingent liabilities

a) Contingent liabilities arising from transferred and cleared bills of exchange	<u>-.-</u>		-
b) Liabilities arising from guarantees and warranty contracts	<u>525,649,277.96</u>		475,564
c) Liabilities arising from security furnished on behalf of third parties	<u>-.-</u>	<u>525,649,277.96</u>	-

2. Other obligations

a) Redemption obligations under repurchase agreements	<u>-.-</u>		-
b) Placement and underwriting obligations	<u>-.-</u>		-
c) Irrevocable lines of credit	<u>581,283,705.10</u>	<u>581,283,705.10</u>	731,764

Income Statement
for the period of December 1, 2014 through November 30, 2015
Citigroup Global Markets Deutschland AG, Frankfurt am Main

	EUR	EUR	EUR	12/1/2013-11/30/2014 TEUR
1. Interest income from				
a) Loans and money market transactions	5,163,337.99			11,265
2. Negative interest income from				
a) Loans and money market transactions	<u>4,019,716.76</u>	<u>1,143,621.23</u>		-
3. Interest expenses	2,910,890.41			6,554
4. Positive interest from loans and money market transactions	<u>2,126,311.76</u>	<u>784,578.65</u>	<u>359,042.58</u>	-
5. Current income from				
a) Shares and other variable-yield securities		<u>1,030,052.40</u>		20
b) Equity investments		<u>-.</u>		2
c) Interests in affiliated enterprises		<u>-.</u>	<u>1,030,052.40</u>	-
6. Commission income		<u>148,460,547.43</u>		189,579
7. Commission expenses		<u>2,464,180.83</u>	<u>145,996,366.60</u>	3,008
8. Income from financial trading operations			<u>55,085,823.11</u>	57,059
included therein are deposits into special accounts per § 340g HGB EUR 6,120,647.01				
9. Other operating expenses			<u>5,541,759.36</u>	25,324
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	<u>61,126,613.99</u>			59,838
ab) social security contributions, pension and welfare expenses	<u>9,838,306.85</u>	<u>70,964,920.84</u>		5,143
of which: for pensions	EUR <u>6,187,969.49</u>	(12/1/2013-11/30/2014 TEUR 1,690)		
b) other administrative expenses		<u>71,766,051.78</u>	<u>142,730,972.62</u>	74,409
11. Depreciation, amortisation and write-downs of tangible and intangible assets			<u>536,802.78</u>	638
12. Other operating expenses			<u>32,063,775.72</u>	7,586
13. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves		<u>-.</u>		420

14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	972,130.28	972,130.28	100
15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		-.-	-
16. Results from ordinary operations		33,653,623.21	125,753
17. Extraordinary income		-.-	-
18. Extraordinary expenses		-.-	-
19. Extraordinary result		-.-	0
20. Taxes on income and earnings	775,550.84		81
21. Other taxes, to the extent not included in item 10	-.-	775,550.84	-
22. Income from loss transfers		-.-	-
23. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		32,878,072.37	125,671
24. Annual net income		-.-	-
25. Profit carried forward/loss carried forward from prior year		-.-	-
26. Transfers from capital reserves		-.-	-
27. 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	-.-	-.-	-
28. Transfers from capital participation rights (<i>Genussrechtskapital</i>)		-.-	-
29. 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	-.-	-.-	-
30. Replenishment of capital with profit participation rights		-.-	-
31. Unappropriated earnings (balance sheet profit)		-.-	-

Cash Flow Statement in accordance with DRS no. 2-10

	2015 TEUR	Prior year TEUR
Annual Net Income	0	0
<i>Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:</i>		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	-6,907	-11,960
Changes in accruals	29,314	6,081
Changes in other non-cash expenses/income	5,148	6,659
Gain/loss from the sale of financial and tangible assets	74	-
Other adjustments (in net terms)	-8,102	-11,322
Subtotal:	19,527	-10,542
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- from banks	-269,415	90,096
- from clients	27,955	-68,389
Debt securities and other fixed-income securities	-	-
Trade portfolio assets	-2,323,284	4,839,830
Other assets from current operating activities	12,914	-3,916
<i>Liabilities:</i>		
- owed to banks	59,593	-37,543
- owed to clients	150,590	-34,946
Securities liabilities	-	-74,447
Trading portfolio liabilities	2,366,266	-4,791,144
Other liabilities from current operating activities	41,440	129,248
Interest and dividend payments received	14,776	17,453
Interest paid	-6,673	-6,128
Income tax payments	-1	-2
Cash flow from current operating activities	93,688	49,570
<i>Payments received from the sale of</i>		
- Financial assets	1,182	470
- Tangible assets	1	35
<i>Payments made for investments in</i>		
- Financial assets	-1,371	-2,975
- Tangible assets	-557	-130
Payments received from the sale of consolidated companies and other business units	-	-
Payments made for the purchase of consolidated companies and other business units	-	-
Change in cash resources based on investing activities (in net terms)	-	-
Cash flow from investing activities	-745	-2,600
Payments received from contributions to equity capital (capital increases, sale of own shares, etc.)	122,710	
<i>Payments made to company owners:</i>		
- Dividend payments	-125,671	-12,405
- Other outgoing payments	-	-
Changes in cash resources other capital (in net terms)	-122,710	
Cash flow from financing activities	-125,671	-12,405
Cash and cash equivalents at the end of the previous period	66,076	31,512
Cash flow from current operating activities	93,688	49,570
Cash flow from investing activities	-745	-2,600
Cash flow from financing activities	-125,671	-12,405
Cash and cash equivalents at the end of the period	33,348	66,077

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Subscribed capital		Capital reserve	Earnings reserves	Unappropriated profit/loss	Total equity capital
	TEUR		TEUR	TEUR	TEUR	TEUR
	Share capital	Silent partner capital				
Per November 30, 2014	210,570	122,710	196,256	60,944	-	590,480
Capital increases/ sale of own shares	-	-	122,710	-	-	-
Capital reductions/share repurchases	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	-122,710	-	-	-	-
Annual result 2015	-	-	-	-	-	-
Per November 30, 2015	210,570	-	318,966	60,944	-	590,480

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 2015

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. 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 (CKG), Frankfurt am Main.

The contract existing between CKG and CGMD and relating to the silent partnership was terminated effective November 30, 2015 pursuant to an agreement. In accordance with the agreement, the nominal amount of the silent capital contribution (totaling EUR 122.7 million), which was thereby released, was added to the CGMD capital reserve account effective November 30, 2015.

The annual financial statements for fiscal year 2015 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, 2015, the risk discount equaled TEUR 662 for the foreign currency risk trading book, TEUR 2,637 for the equities and index risk trading book, and TEUR 189 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 1,015.1, 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 nominal 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 nominal 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 2,436.4 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 10,852.5 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 **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 2015, CGMD had calculated an amount of TEUR 1,015.3 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 3.94 % 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 22,317.4 (prior year: TEUR 13,407.4), while the change in the fair value of the plan assets resulted in income of TEUR 6,293.1 (prior year: TEUR 10,198.7). These earnings components are netted and then reported under other

operating expenses. The standard allocation [*Regelzuführung*] produces an expense in the amount of TEUR 5,070.6 (prior year: expense TEUR 689.1).

On the balance sheet date, the fair value of the plan assets that are subject to netting equaled TEUR 171,053.4 (prior year: TEUR 164,760.2). The settlement amount of the pension obligations subject to netting equaled TEUR 178,066.8 (prior year: TEUR 156,079.1) on the balance sheet date. The settlement amount that exceeded the plan assets as of the balance sheet and that equaled TEUR 7,013.4 was shown under line item “Excess of plan assets over post-employment benefit liability” (prior year: TEUR 8,681.2).

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 4,029.2. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 10,428.8 (prior year: TEUR 9,928.6). The settlement amount of the liabilities to be netted equaled TEUR 10,428.8 (prior year: TEUR 9,928.6).

In the current fiscal year, the interest accrued on the liabilities produced an expense in the amount of TEUR 1,246.7 (prior year: 437.3), and the change in the fair value of the plan assets yielded income of TEUR 1,102.3 (prior year: TEUR 437.3). Current income in the amount of TEUR 144.6 (prior year: TEUR 0) was also generated. 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 9,341.6. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,489.3 (prior year: TEUR 10,325.4). The settlement amount of the liabilities to be netted equaled TEUR 10,489.3 (prior year: TEUR 10,325.4).

In the current fiscal year, the discounting of the obligations produced an expense in the amount of TEUR 31.5 (prior year: interest expense of TEUR 3.7), and the change in the

fair value of the plan assets yielded income of TEUR 31.5 (prior year: income TEUR 3.7). These components of the result are netted and reported under line item, 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 38,316.7, and it 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 4,667.8 (prior year: TEUR 3,406.4). The change in the fair value of the plan assets resulted in income of TEUR 16.9 (prior year: income TEUR 1,958.9). Current income in the amount of TEUR 91.2 (prior year: TEUR 1,100.8) was also accrued. These components of the result are netted and reported under other operating expenses. These components of the result are netted and reported under other operating expenses. The standard allocation produces an expense in the amount of TEUR 165.6 (prior year: expense TEUR 160.0).

On the balance sheet date, the fair value of the plan assets subject to netting equaled TEUR 44,649.4 (prior year: TEUR 43,973.4). The settlement amount of the pension obligations subject to netting was TEUR 52,527.8 (prior year: TEUR 48,130.2) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 7,878.7 (prior year: TEUR 4,156.8) and was reported as an accrued liability 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 in 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 employee anniversaries and involving early retirement.

On the balance sheet date, the settlement amount for the early retirement obligations equaled TEUR 4,527.2 (prior year: TEUR 6,121.5). The fair value of the pledged reinsurance policies in the amount of TEUR 3,731.6 (prior year: 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 795.6 (prior year: TEUR 3,464.5) was shown under the line item, "Other accrued liabilities". In the current fiscal year, an expense in the amount of TEUR 230.9 (prior year: TEUR 0.2) arises from the accrual of interest on the obligations, while income in the amount of TEUR 54.0 (prior year: 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.

The standard allocation produces an expense in the amount of TEUR 807.4 (prior year: TEUR 890.1).

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, A lt. 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 generated 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 rate with no risk premium. Viewed as of November 30, 2015, 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, 2015 did not produce a 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 80,153.7 (prior year: TEUR 72,709.8), is yielded entirely from the capitalization of the plan assets at fair value in the amount of TEUR 236,620.5 (prior year: 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** that 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.

Negative interest income and negative interest expenses are shown in the income statement line items no. 2 " Negative interest income" or no. 4 " Negative interest expenses" in accordance with § 340c (1) and (2) HGB in combination with § 265 (5) HGB.

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) Assets based on term to maturity

	Nov 30, 2015	Nov 30, 2014
Receivables from banks		
	TEUR	TEUR
a) payable on demand	117,644	118,226
b) up to three months	3,353,600	3,083,600
c) more than three months and up to one year	-	-
d) more than one year and up to five years	-	-
e) more than five years	-	-
accrued interest	237	239
	<u>3,471,481</u>	<u>3,202,065</u>

	Nov 30, 2015	Nov 30, 2014
Receivables from clients		
	TEUR	TEUR
a) up to three months	152,656	134,685
b) more than three months and up to one year	66,593	76,990
c) more than one year and up to five years		34,000
d) more than five years	-	-
accrued interest	299	856
	<u>219,548</u>	<u>246,531</u>

	Nov 30, 2015	Nov 30, 2014
Liabilities owed to banks		
	TEUR	TEUR
a) payable on demand	924,328	865,818
b) up to three months	22,511	21,326
c) more than three months and up to one year	-	-
d) more than one year and up to five years	-	-
accrued interest	69	171
	<u>946,908</u>	<u>887,315</u>

	Nov 30, 2015	Nov 30, 2014
Liabilities owed to clients		
	TEUR	TEUR
payable on demand	1,199,095	1,128,953
a) up to three months	804,417	723,902
b) more than three months and up to one year	5,000	-
c) more than one year and up to five years	15,000	20,000
d) more than five years	30,000	30,000
accrued interest	189	255
	<u>2,053,701</u>	<u>1,938,056</u>

b) Fixed asset movement schedule

	Original acquisition costs		Reversal of write-downs (cumulative write-ups)		Accumulated depreciation, amortization and write-downs		Book values	
		Additions (Disposals)		Additions		Additions (Disposals)		
	Nov. 30, 2014	Reposting	Nov. 30, 2014		Nov. 30, 2014	Reposting	Nov. 30, 2015	Nov. 30, 2014
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets acquired for consideration	5,213	- - (2)	-	-	5,211	- - -	-	2
Office and plant equipment	8,890	189 (117) 2	-	-	8,154	291 (117) -	636	736
Leasehold improvements	13,859	30 (427)	-	-	13,027	245 (352)	542	832
Construction in progress	-	337	-	-	-	-	337	-
Equity investments	1,354	- - -	-	-	-	- - -	1,354	1,354
Total	29,316	556 (544)	-	-	26,392	67	2,869	2,924

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

Depreciation, amortization and write-downs relating to the additions made during the fiscal year equaled TEUR 38.

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

	Nov 30, 2015	Nov 30, 2014
	TEUR	TEUR
Receivables from banks	1,290,100	1,492,622
Receivables from clients	5,986	1,544
Other assets	814	2,713
Liabilities owed to banks	814,324	726,938
Liabilities owed to clients	907,751	750,133
Other liabilities	37,478	132,922

d) Assets and liabilities denominated in foreign currencies

	Nov 30, 2015	Nov 30, 2014
	TEUR	TEUR
Assets	14	90,385
Liabilities	2,383	657,321

e) Other notes

The asset item shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 6,404,197.3 (prior year: TEUR 4,395,404.6), debt securities and other fixed-income securities in the amount of TEUR 685,465.0 (prior year: TEUR 502,854.10), and shares including, *inter alia*, variable-yield securities in the amount of TEUR 377,165.4 (prior year: TEUR 245,285.5). Of the debt securities and other fixed income securities, TEUR 685,465.0 (prior year: TEUR 502,854.1) were eligible and listed for trading on a stock market. Of the shares and variable-yield securities, TEUR 377,165.4 (prior year: TEUR 245,285.5) were eligible and listed for trading on a stock market.

The equity investments totaling TEUR 1,353.6 (prior year: TEUR 1,353.6) are not eligible for trading on a stock market.

The item shown as other assets in the amount of EUR 9.2 million (prior year: EUR 21.0 million) includes primarily tax receivables of EUR 6.0 million (prior year: EUR 9.4 million), claims under reinsurance policies of EUR 1.0 million (prior year: EUR 3.1 million) and receivables under intra-group compensation invoices totaling EUR 1.1 million (prior year: 1.1 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 6,498,994.3 (prior year: TEUR 4,481,753.3) and liabilities arising from issued and outstanding debt securities in the amount of TEUR 981,421.1 (prior year: TEUR 632,395.9).

The item, other liabilities, in the amount of EUR 49.8 million (prior year: EUR 137.4 million) relates primarily to liabilities under the profit transfer obligations totaling EUR 32.9 million (prior year: EUR 125.7 million), liabilities based on 2015 bank dues and totaling EUR 4.8 million (prior year: EUR 0.00), liabilities from initial margin totaling EUR 2.3 million (prior year: claims from initial margin in the amount of EUR 7.1 million), liabilities arising from the restructuring and totaling EUR 1.1 million (prior year: EUR 2.6 million) and value added tax in the amount of EUR 0.9 million (prior year: EUR 1.9 million).

The item entitled "other accrued liabilities" relates primarily to the provisions made for bonuses and provisions for restructuring and early retirement. The provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 22.8 million (prior year: EUR 15.5 million). Provisions in the amount of EUR 5.2 million (prior year: EUR 0.00) relate to unpaid investment income withholding tax for prior business years. Provisions for restructuring in the fiscal year amount to EUR 1.7 million (prior year: EUR 2.6 million). Provisions for early retirement equaled EUR 0.8 million (prior year: 3.5 million) after setting-off the pledged re-insurance policies in the amount of EUR 3.7 million (prior year: EUR 2.7 million).

In the course of terminating the silent partnership as of November 30, 2015, CGMD made an initial advance payment to CKG in an amount equal to the previous capital contribution (EUR 122.7 million). The still unpaid portion of the profits owed to the silent partner was EUR 12.1 million for fiscal year 2015, an amount that must be paid in its entirety as a residual settlement credit to CKG pursuant to the section 2.3 of the agreement on terminating the silent partnership.

The contingent liabilities relate to guarantees and warranty contracts. These agreements stem from guarantees made in the amount of EUR 525.6 (prior year: EUR 475.6 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 581.3 million (prior year: EUR 731.8 million), all of these lines (prior year: EUR 691.8 million) have 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. 3a 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

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 participated in the credit filing system in the fiscal year.

Together with Citibank N.A. in New York, the Frankfurt Branch, and Citigroup Global Markets Finance Corporation & Co. KG, Frankfurt, the Bank is also liable under the debt assumption agreements of 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 0.4 million (prior year: EUR 4.7 million). The persistently low interest rates, the negative yield made on deposits with the ECB as well as the weak demand for loans all kept net interest income at a low level relative to the overall result. Of the interest income totaling TEUR 1,143.6, TEUR 5,163.3 is attributable to positive interest income and TEUR 4,019.7 is attributable to negative interest income. Of the interest expenses totaling TEUR 784.6, TEUR 2,910.9 is attributable to interest expenses and TEUR 2,126.3 is attributable to positive interest.

Commission income decreased by EUR 41.1 million to EUR 148.5 million (prior year: EUR 189.6 million). This is primarily attributable to the decline from EUR 145.0 million to EUR 85.5 million in the brokerage commissions earned by affiliated enterprises. The reason for the decline 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 equaled EUR 2.5 million (prior year: EUR 3.0 million) and included mostly 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 12,169.5 (prior year: EUR 10,523.3) and of the equities and index risk trading book in the amount of TEUR 49,929.5 (prior year: TEUR 53,435.80). The negative result reported in the other trading book equals TEUR 888.0 (prior year: TEUR 562.2) and consists mostly of results from warrants traded on commodities and precious metals and from exchange-traded futures transactions on commodities and precious metals. The negative result in the interest rate risk trading book is TEUR 4.6 (prior year: positive result TEUR 2.2) and includes results from interest rate swap agreements.

Under the item, net income from financial trading operations, an amount of EUR 6.1 million (prior year: EUR 6.3 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 5.5 million (prior year: EUR 25.3 million) and included mostly income from reinsurance claims [*Rückdeckungsansprüchen*] in the amount of EUR 0.9 million (prior year: EUR 2.5 million), income from the write-back of provisions in the amount of EUR 1.3 million (prior year: TEUR 2.3) and income derived from cost set-offs with affiliated enterprises in the amount of EUR 1.0 million (prior year: EUR 0.9 million). The reason for the decline in the other operating income is the income that was earned on the sale of the CATS trading platform for EUR 9.7 million and was booked in 2014 and income derived from passing-through costs to affiliated enterprises in the amount of EUR 9.5. The item “other operating income” does not include any income that is unrelated to the accounting period (prior year: EUR 0.1 million).

Personnel expenses rose by EUR 6.0 million to EUR 71.0 million (prior year: EUR 65.0 million). The change can be traced mostly to the standard allocation to pension reserves.

The other administrative expenses total EUR 70.8 million (prior year: EUR 71.4 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 32.1 million (prior year: EUR 7.6 million) and included mostly expenses and income (net) from valuing the plan assets [*Pensionsdeckungsvermögens*] and the pension obligations in the amount of EUR 20.8 million (prior year: EUR 3.9 million) and additions to provision in connection with unpaid investment income withholding tax for past business years in the amount of EUR 5.2 million.

In the fiscal year, the Bank booked taxes on income and earnings from earlier years in the amount of EUR 0.8 million (prior year: EUR 0.1 million). Of that amount, EUR 0.3 million relate to taxes on income and earnings from prior years (prior year: EUR 0.1 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 20.8 million and to the silent partner in the amount of EUR 12.1 million. We refer to the explanations on page 1 regarding the termination of the silent partnership effective November 30, 2015.

5. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2015 includes:

a) Annual audit services	EUR 909,088.00
b) Other consulting services	EUR 139,500.00
c) Tax advisory services	EUR 0.00
d) Miscellaneous services	<u>EUR 15,000.00</u>
e) Total	<u>EUR 1,063,588.00</u>

6. Notes on Derivative Transactions

a) Types of derivative transactions

As of November 30, 2015, 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 futures transactions 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, 2015:

ba) Foreign currency risk trading book

	< 1 year	1-5 years	> 5 years	Total	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount	
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC currency options					
Bought	103	5	-	108	2.1
Sold	4	-	-	4	0.1
Currency warrants					
Own issues					
Bought	1,992	381	-	2,373	85.3
Sold	2,178	409	-	2,587	./ 88.7
Exchange-traded					
futures					
Sold	4	-	-	4	-
Foreign exchange certificates					
Bought	0	-	-	0	0
Sold	0	-	-	0	./ 0.1

The foreign currency risk trading book consists primarily of options on the price of gold and the US Dollar. 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).

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	6,113	5,205	-	11,318	2,809.8
Sold	7,521	6,154	-	13,675	./. 2,939.4
Third party index warrant issuers					
Bought	13	-	-	13	0.5
OTC equity options					
Bought	9	-	-	9	0.4
OTC index options					
Bought	2	-	-	2	0
Sold	216	-	-	216	./. 2.1
Index warrants					
Own issues					
Bought	28,102	12,135	-	40,237	3,379.3
Sold	29,107	12,316	-	41,423	./. 3,413.7
Exchange-traded index futures					
Bought	254	-	-	254	4.7
Sold	114	-	-	114	0
Exchange-traded index options					
Bought	772	44	-	816	15.3
Sold	129	12	-	141	./. 3.9

	< 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
Exchange-traded stock options					
Bought	836	429	-	1,256	69.6
Sold	61	3	-	64	./ 3.5
Index and equity certificates					
Own issues					
Bought	94	371	-	465	685.5
Sold	351	364	-	715	./ 981.4

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 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
Interest rate swap agreements					
Bought	5	-	-	5	0.1
Sold	5-	-	-	5	./ 0.1

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	46	131	-	177	45.4
Sold	54	136	-	190	./46.0
Exchange-traded precious metal futures					
Bought	5	-	-	5	./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, 2015, the credit equivalents under the CCR (Counterparty Credit Risk) 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	Credit equivalent in EUR '000		
Foreign currency risk and other price risks trading book	6,855	243,024	-
Other trading transactions	-	11,562	-
Total	6,855	254,586	-

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

Stefan Wintels, Frankfurt am Main, Bank Director,
Dr. Silvia Carpitella, Frankfurt, Bank Director, since June 1, 2015,
Thomas Falk, Hochheim am Main, Bank Director, since August 1, 2015,
Stefan Hafke, Kelkheim, Bank Director,
Andreas Hamm, Dreieich, Bank Director, since August 1, 2015
Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director,
Samuel R. Riley, Budapest, Bank Director, until September 30, 2015
Christian Spieler, Bad Homburg, Bank Director,
Heinz Peter Srocke, Hanau, Bank Director, until September 30, 2015

The Supervisory Board consists of the following members:

Hans W. Reich, Kronberg, Bank Director, Chairman,
Bradley Gans, London, Bank Director, Deputy Chairman,
Tim Färber, Kelsterbach, Salaried Bank Employee, Employee Representative

During fiscal year 2015, the Bank employed an average of 270 persons. The average period of employment for staff members as of November 30, 2015 was as follows:

120 Employees	up to 5 years
47 Employees	6-10 years
60 Employees	11-20 years
41 Employees	21 years or more
<u>268</u>	

In the fiscal year, total remuneration (including stock options granted) of the Executive Board was TEUR 7,725.7. Pension obligations totaled approximately TEUR 2,678.7. In the reporting year, total remuneration (including stock options exercised) of former members of management bodies and their survivors totaled approximately TEUR 1,096.9. Liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 44,433.1.

On the basis of the equity-based remuneration, approximately 55.6 thousand shares amounting to USD 1,903.9 thousand were granted as variable compensation.

In fiscal year 2015, 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 the fiscal year, the members of the advisory board [*Beirat*] were paid compensation totaling TEUR 519.6.

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

Frankfurt am Main, February 19, 2016

Citigroup Global Markets Deutschland AG

Stefan Wintels (CEO)

Dr. Silvia Carpitella

Thomas Falk

Stefan Hafke

Andreas Hamm

Dr. Jasmin Kölbl-Vogt

Christian Spieler

Country by Country Reporting as of November 30, 2015 in accordance with § 26a of the German Banking Act

The reporting for 2015 presents the accrued revenues, pre-tax profits, the taxes levied on the profits and the number of employees for each EU Member State and for third countries in which CGMD maintains a branch or has its registered office. Revenue is shown as the sum of the net interest income, net commission income, result from financial trading operations and other operating income as of the end of the fiscal year. The number of employees is shown on the basis of full-time employee positions.

Amounts show in € million	Germany	United Kingdom
Revenues	207.0	0.0
Pre-tax profit	33.3	0.4
Taxes on profit	0.0	0.8
Government assistance received	-	-
Number of employees	261	9

Company name	Type of activity	Registered office/city	Country
Citigroup Global Markets Deutschland AG	Financial institution	Frankfurt am Main	Germany
Citigroup Global Markets Deutschland AG London Branch	Financial institution	London	United Kingdom

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.

In March of 2015, the Company's Annual General Meeting appointed Messrs. Reich and Gans to serve on the Supervisory Board for another term of office. This appointment preserves member continuity on the Supervisory Board. The Supervisory Board held four regular meetings during the reporting year. The Supervisory Board also held two special meetings that 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*]. The Supervisory Board had to accept the resignation of Executive Board members Heinz Srocke and Samuel Riley effective September 30, 2015, and in advance thereof, helped provide for continuity in Company leadership by appointing Dr. Silvia Carpitella (effective June 1, 2015) and Messrs. Andreas Hamm and Thomas Falk (effective August 1, 2015) to serve as members 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 that are held as part of the Group's corporate governance process.

The members of the Supervisory Board participated, 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 2016.

The annual financial statements and management report for fiscal year ending November 30, 2015, 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 auditor's report (*uneingeschränkten Bestätigungsvermerk*). 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 23, 2016, the Supervisory Board approved the annual financial statements as per November 30, 2015 and as submitted by the Executive Board and approved the management report.

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, 2016

The Supervisory Board

Hans W. Reich
Chairman

1 Auditor's Report

We have issued the unqualified auditor's report as follows:



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, 2014 through November 30, 2015. 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 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 4, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pfeiffer
Wirtschaftsprüfer

Shiffa
Wirtschaftsprüferin

ANNEX II: MANAGEMENT REPORT FOR FISCAL YEAR 2014

Annual Balance Sheet as of 30 November 2014	Page G-31
Income Statement for the Period of 1 December 2013 through 30 November 2014	Page G-35
Cash flow Statement	Page G-37
Notes to the Financial Statements for Fiscal Year 2014	Page G-39

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Citigroup Global Markets Deutschland AG

Management Report for Fiscal Year 2014

1 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 ratio¹ 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 Control²

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 in 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 Närgen 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 statement⁴.

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

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 environment⁶, 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 Dealogic⁷, 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)	
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	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

3.1 Situation in the overall economy

3.1.1 Outlook for the overall economy⁸

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 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.

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

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 portfolio¹¹ 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%	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 table¹⁴ 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 its 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 daily 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.

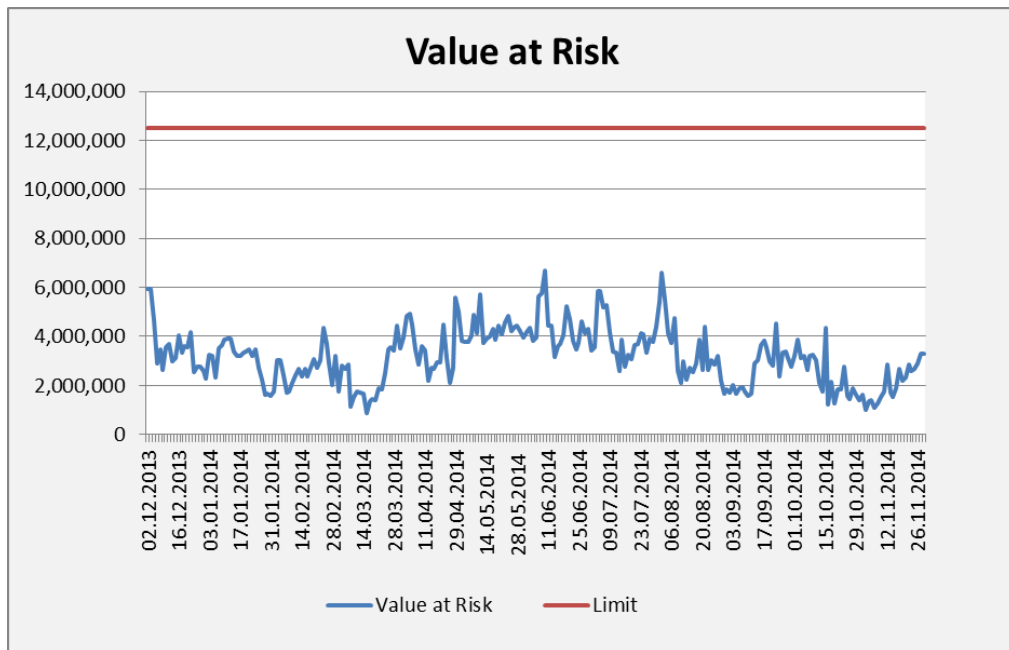
In addition, in order to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

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 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.

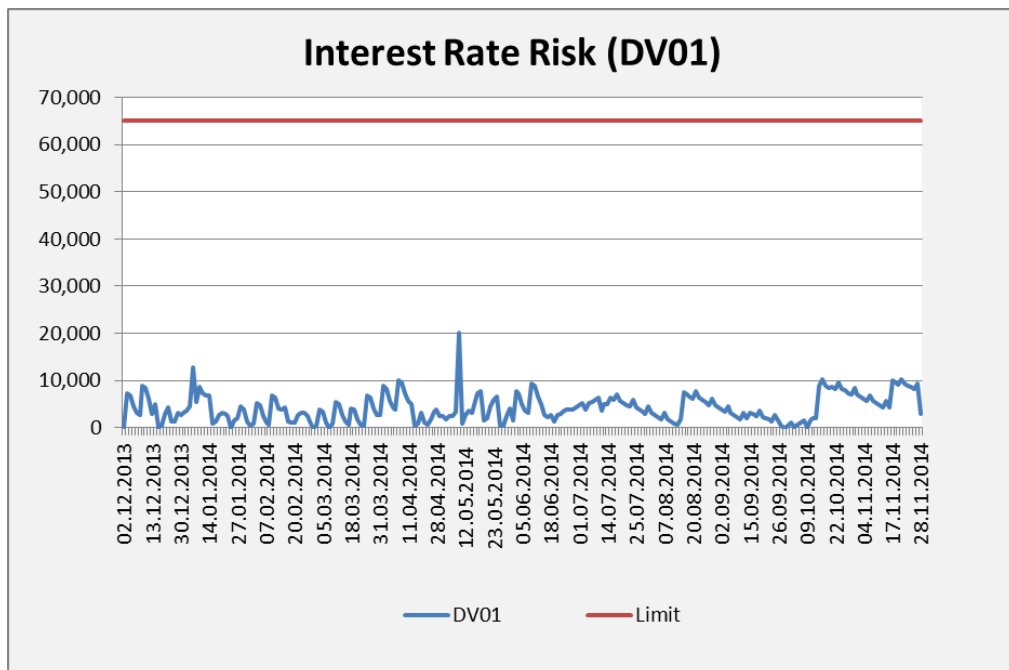
The group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and 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 [Anlagebuch] 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 liquidity 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.

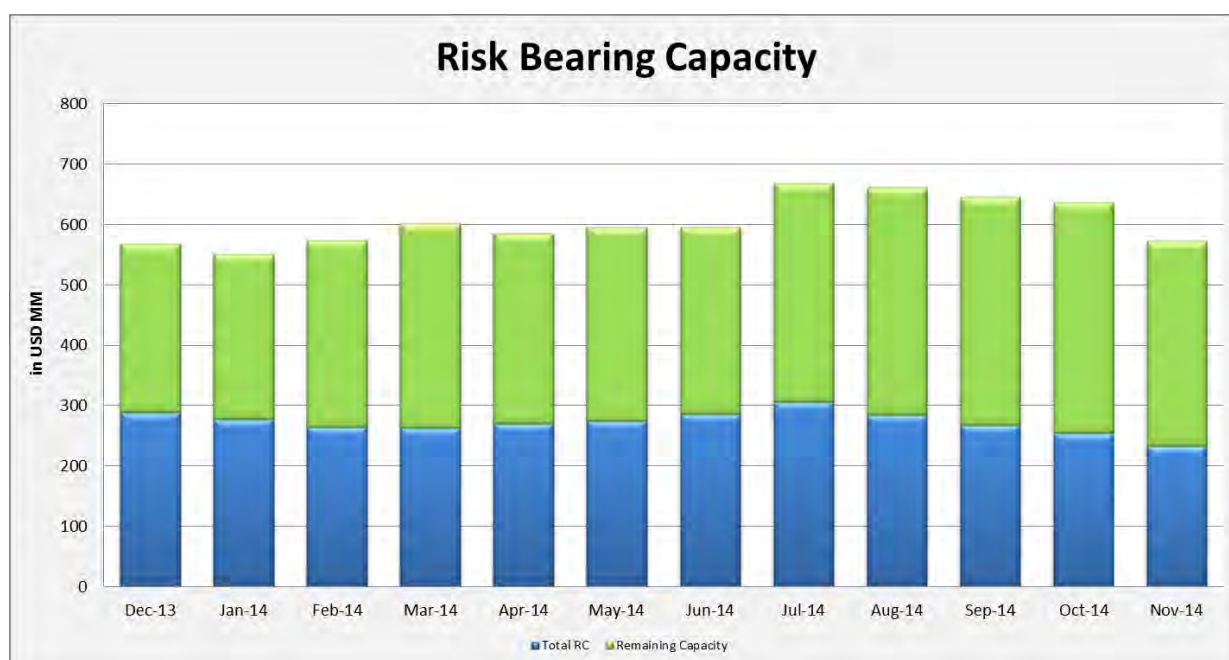
The main types of risks requiring the capital coverage as identified by the Bank are the market risk, the credit risk, the operational risks, reputation risks and risks arising from pension funds. In this regard, the Bank uses either statistical methods (models) or expert assessments regarding the quantification 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.

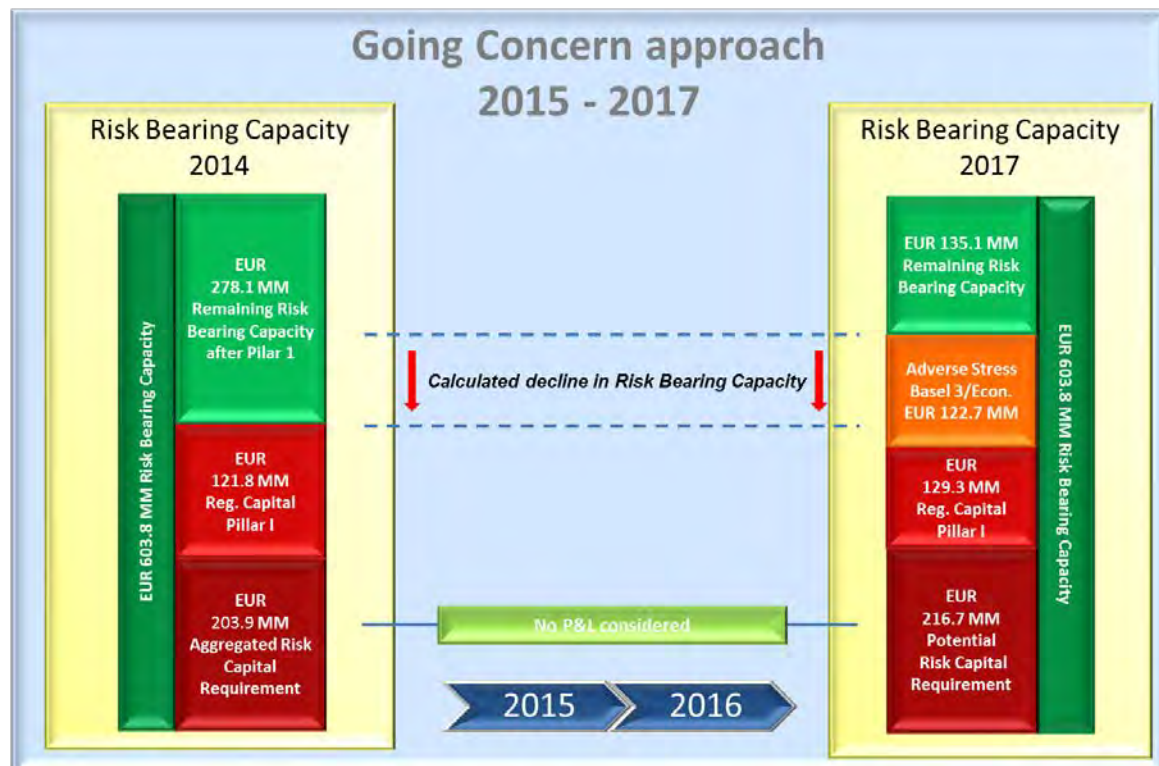
Month	Credit Risk	Market Risk	Operational Risk	Reputational Risk	Pension Fund Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend
Dec-13	80.2	70.6	51.7	13.0	74.0	289.5	568.5	279.0	stable
Jan-14	77.0	64.1	50.7	12.7	74.0	278.5	552.1	273.6	stable
Feb-14	75.6	49.8	51.9	13.0	75.0	265.3	574.7	309.4	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

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

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		<u>66,074,011.90</u>		<u>31,509</u>
of which: at the German <i>Bundesbank</i> (German Central Bank)				
EUR <u>66,074,011.90</u> (11/30/2013 TEUR <u>31,509</u>)				
c) Credit balances held at post giro offices		<u>-</u>	<u>66,076,455.61</u>	<u>31,512</u>
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			<u>246,530,722.21</u>	<u>178,462</u>
4. Trading portfolio			<u>5,143,544,160.09</u>	<u>9,983,374</u>
5. Equity investments			<u>1,353,556.37</u>	<u>368</u>
of which: in banks	EUR <u>217,842.30</u> (11/30/2013 TEUR <u>218</u>)			
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		<u>-</u>	<u>2,413.20</u>	<u>-</u>
7. Tangible assets			<u>1,568,047.66</u>	<u>2,111</u>
8. Other assets			<u>21,008,767.78</u>	<u>19,413</u>

9. Prepaid and deferred items	<u>3,652,678.65</u>	<u>1,332</u>
10. Excess of plan assets over post-employment benefit liability	<u>8,681,171.00</u>	<u>7,447</u>
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

1. Contingent liabilities

	EUR	EUR	11/30/2013 TEUR
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
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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	<u>- . --</u>	<u>11,264,712.85</u>		16,961
2. Interest expenses		<u>6,553,961.60</u>	<u>4,710,751.25</u>	11,301
3. Current income from				
a) Shares and other variable-yield securities		<u>19,808.00</u>		309
b) Equity investments		<u>1,700.00</u>		3
c) Interests in affiliated enterprises		<u>- . --</u>	<u>21,508.00</u>	-
4. Commission income		<u>189,579,381.38</u>		125,586
5. Commission expenses		<u>3,007,913.10</u>	<u>186,571,468.28</u>	1,854
6. Net income from financial trading operations included therein are deposits into a special accounts per § 340g HGB EUR 6,339,913.01			<u>57,059,217.01</u>	35,068
7. Other operating income			<u>25,323,538.70</u>	11,394
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	<u>59,837,763.61</u>			66,587
ab) social security contributions, pension and welfare expenses	<u>5,143,132.91</u>	<u>64,980,896.52</u>		7,792
of which: for pensions	EUR <u>1,690,015.28</u>			
(12/1/2012-11/30/2013 TEUR 4,319)				
b) andere Verwaltungsaufwendungen		<u>74,409,043.16</u>	<u>139,389,939.68</u>	76,631
9. Depreciation, amortization and write-downs of tangible and intangible assets			<u>638,228.42</u>	722
10. Other operating expenses			<u>7,586,144.12</u>	11,595
11. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves		<u>420,100.00</u>		245
12. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves		<u>100,530.28</u>	<u>100,530.28</u>	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
<i>Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:</i>		
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
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- 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
<i>Liabilities:</i>		
- 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
<i>Payments received from the sale of</i>		
- Financial assets	470	8,121
- Tangible assets	35	26
<i>Payments made for investments in</i>		
- 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
<i>Payments made to company owners:</i>		
- 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		Capital reserve	Earnings reserves	Unappropriated profit/loss	Total equity capital
	TEUR		TEUR	TEUR	TEUR	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
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	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

	Nov 30, 2014	Nov 30, 2013
Receivables from banks		
	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
	<u>3,202,065</u>	<u>3,292,161</u>

	Nov 30, 2014	Nov 30, 2013
Receivables from clients		
	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
	<u>246,531</u>	<u>178,462</u>

	Nov 30, 2014	Nov 30, 2013
Liabilities owed to banks		
	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
	<u>887,315</u>	<u>924,858</u>

	Nov 30, 2014	Nov 30, 2013
Liabilities owed to clients		
	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
	<u>1,903,110</u>	<u>1,938,056</u>

Securitized liabilities	<u>Nov 30, 2014</u>	<u>Nov 30, 2013</u>
	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	-	-
	<u>-</u>	<u>74,447</u>

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

	<u>Nov 30, 2014</u>	<u>Nov 30, 2013</u>
	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

	<u>Nov 30, 2014</u>	<u>Nov 30, 2013</u>
	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 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 [*selbstschuldnerische 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	<u>EUR 15,000.00</u>
e) Total	<u>EUR 966,493.00</u>

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 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, 2014:

ba) Foreign currency risk trading book

	< 1 year	1-5 years	> 5 years	Total	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount	
	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).

bb)Equities and index trading book

	< 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
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, 2014, 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 Närgen, 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
Wirtschaftsprüfer

Shiffa
Wirtschaftsprüferin

SIGNATURES

Frankfurt am Main, 6 April 2016

**Citigroup Global Markets Deutschland AG,
Frankfurt am Main**

signed by Dirk Heß
Director

signed by Steffen Thomas
Vice President