Citigroup
Global Markets Deutschland AG

Frankfurt am Main

Registration Document

03 May 2013

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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 Risk that the Issuer will provide limited or no price quotes

For securities which do not provide for the investor’s right to exercise the rights embedded in the securities at any time or where such an exercise would be unwise because otherwise the time value would be lost (in case of warrants which can be exercised at any time) the ability to sell the securities at any time is very important to you. This is where the Issuer's voluntary intention to quote buy and offer prices is of fundamental importance. Accordingly, one of the largest risks you face is that the Issuer will limit or completely renege on its voluntary intention to quote prices. In such a situation and assuming no one else quotes prices for the securities and hedging transactions via other instruments are not available or additional hedging transactions are not affordable to you, your only option would be, in the worst case scenario, to await final maturity of the securities where no early exercise is possible or to exercise your rights on one of the possible dates if an early exercise is admitted. In the latter case, you have to accept the risk of volatility of the disbursement amount until the next date on which an exercise is possible. The same applies in the event that the exchange listing of the instrument is suspended prematurely.

1.2 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 effected 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.

1.3 Legal risks arising from the issued securities

The Issuer's financial strength could be jeopardised if material components of agreements entered into with third parties prove to be invalid or unenforceable in key respects.

This could occur, for example, if a number of investors purchased the Issuer's publicly offered or exchange-listed securities (in respect of which a prospectus was published in a Member State of the European Union on or after 1 July 2005 in accordance with the relevant national laws enacted to implement the EU Prospectus Directive 2003/71/EC, as last amended by Directive 2010/73/EU of the European Parliament and of the Council on 24 November 2010) (the "Prospectus Directive") and then exercised their right to withdraw pursuant to the domestic equivalent of Article 16 (2) of the Prospectus Directive. Withdrawal would be possible on this basis if material facts in the prospectus for securities issued by the Issuer after 1 July 2005 were incorrect or incomplete, or such facts arose after the prospectus was published and needed to be addressed in a supplement.

Furthermore, the Issuer's financial strength could be jeopardised as a result of claims based on prospectus liability if material facts are negligently omitted or incorrectly described in the Issuer's prospectus and such negligence causes injury or damage to a large number of investors.

In accordance with Commission Regulation (EC) No. 809/2004 of 29 April 2004 as amended by Delegated Regulation (EU) No. 486/2012 of the Commission dated 30 March 2012 and by Delegated Regulation (EU) No. 862/2012 of the Commission dated 4 June 2012 (the "Prospectus Regulation") implementing the Prospectus Directive as regards information contained in prospectuses, the last two years' audited historical financial information in any prospectuses prepared by the Issuer on or after 1 July 2005 pursuant to the national laws enacted to implement the Prospectus Directive must be presented and prepared in a form consistent with that which will be adopted in the Issuer's next published annual financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements. If, despite best efforts made, it is impossible for the Issuer to predict or seasonably implement such future changes, then there is a possibility that investors may withdraw from their transactions or enforce claims based on prospectus liability. In such cases, the Issuer could suffer considerable losses. Moreover, it is conceivable that an ongoing public offer and exchange listing of the securities in question will be suspended if the requirements for a continued listing are no longer met because of a delay in implementing accounting standards as described above. As a result thereof, the Issuer could sustain losses from compensatory damage claims enforced by investors. If the Issuer suffers losses due to the aforementioned reasons, this could have a negative impact on the financial positions and profit situation of the Issuer. Furthermore, investors could lose their invested capital up to a total loss, if they cannot enter into an OTC securities transaction with the Issuer because of a certain restriction under the public offering.

The Issuer has granted a loan to a financial services company in Kazakhstan. The total value of this loan equals approximately EUR 77.0 million per 30 November 2012. The Issuer has essentially hedged the risk that this loan will not be repaid in accordance with the contractual obligations by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers.

If the contractual obligations under the bonds unexpectedly require that the Issuer makes payments to the bond holders, even though no corresponding payments were received from the borrowers, then the Issuer could face liquidity problems. The explanations regarding prospectus liability and the right to withdraw as described in the first two paragraphs above also apply *mutatis mutandis* to the bonds.

1.4 Liquidity risk despite control and profit (loss) transfer agreement

The Issuer belongs to the Citigroup Inc. Group. The Issuer and its direct holding company 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.

1.5 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, 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.

1.6 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, will not be closed as expected because of the counterparty's default, but instead will remain open and therefore will still need to be closed out.

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.

1.7 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” 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.

Approximately EUR 77.0 million per 30 November 2012 in loan to a Kazakh financial services company has been refinanced through bonds issued on the capital markets. The Issuer has hedged the risk that this loan will not be serviced in accordance with the contractual obligations (in particular the payment of interest and principal) by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers. The Issuer's default risks have thereby been transferred to investors. See also "Legal risks arising from the issued securities" regarding the legal risks of the issued bonds.

1.8 Risks of interest rate changes

Risk-Treasury assesses and controls the Issuer's interest rate risk. The Issuer is 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 like interest rate swap agreements. 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.

1.9 Operating risk

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

1.10 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.

1.11 General business risks

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

- Settlement risk

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

- Information risk

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

- Reputation risk

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

- Personnel risk

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

- Legal and regulatory risks

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

- Risk of fraud

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

2. PUBLICATION AND VALIDITY OF THE REGISTRATION DOCUMENT

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

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

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

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

3. PERSONS RESPONSIBLE

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

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

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

4. STATUTORY AUDITORS

The statutory auditor of the Issuer and Citigroup Global Markets Management AG, as the Issuer's managing general partner until the registration of the merger on 23 June 2010, during the period covered by the historical financial statements in this Registration Document (business years 2012 and 2011) 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.

<u>Spin-off agreement 2008</u>

Prior to the reorganisation of the German part of Citigroup in 2008, which is described in more detail below, the sole shareholder of both the Issuer, formerly Citigroup Global Markets Deutschland AG & Co. KGaA, and the former general partner of the Issuer, Citigroup Global Markets Management AG, was Citicorp Deutschland GmbH, which in turn was a wholly-owned subsidiary of Citigroup Global Markets Finance Corporation &

Co. beschränkt haftende KG. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG committed to transfer, inter alia, all of its shares in Citicorp Deutschland GmbH to a third party. However, the Issuer, formerly Citigroup Global Markets Deutschland AG & Co. KGaA, and its former general partner, Citigroup Global Markets Management AG, were explicitly excluded from this transfer.

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

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

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

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

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

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

Following the change in legal form and the merger, all creditors of Citigroup Global Market Deutschland AG & Co. KGaA and Citigroup Global Markets Management AG are, and will be entitled to demand payment of a collateral, provided they (i) lodge their claims against Citigroup Global Market Deutschland AG & Co. KGaA (in case of the change in legal form) or Citigroup Global Markets Management AG respectively the Issuer (in case of the merger) in writing and (ii) credibly show that the satisfaction of their claims is endangered by the change in legal form or the merger, in each case within six months following the date of the publication of the registration of the change in legal form or the merger in the commercial register.

5.2 Development of the Issuer

Significant events that may have a material impact on the assessment of the Issuer's solvency have not occurred recently. However, Citigroup is currently evaluating measures to optimize its organizational structure. In this context, the Issuer may become a wholly-owned subsidiary of, and subsequently merge with and into, Citibank International plc., which would result in Citibank International plc. receiving all the assets and liabilities of the Issuer. As a result of such merger, Citibank International plc. would become the Issuer.

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 operates a corporate and investment banking business, offering companies, governments and institutional investors comprehensive financial strategies in investment banking, fixed income, foreign exchange, equities and derivatives and global transaction services. In addition, it is also a major issuer of warrants and certificates, the final acquirers of which are mainly private customers. Since the end of 2012 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 underwrites and sells warrants, knock-out warrants (turbo warrants) and derivative certificates (investment products) in Germany, Austria, France, Portugal, Sweden, Finland, the Netherlands, Switzerland and other countries, as the case may be. The main focus of its business activities is in Germany. 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 Issuer's electronic trading system 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.

6.1.4 Corporate and Investment Banking ("CIB")

CIB has been formed through the combination of the Global Corporate Bank and the Investment Bank. 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

Since October 2012 the Issuer has supported 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 Research

The Issuer also introduced the "Covered Bond Research" division in Germany at the beginning of 2013. As part of the Interest Strategy Team based in London, the Covered Bond Research Team concentrates on primary and secondary market developments and regulatory changes within the various segments of the covered bond market.

6.1.7 Citi Transaction Services

The business unit Citi Transaction Services advises corporate clients, financial institutions and the public sector on the implementation of solutions in the areas of global payment transactions, liquidity and treasury management, the entire field of securities settlement and trade finance and manages accounts and deposits for its clients.

Specialized solutions are offered by the business unit Securities Settlement and Custody Services (Securities and Fund Services). 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) and include the entire trading in derivative exchange contracts for clients or Issuers respectively.

6.1.8 Treasury

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

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

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

6.1.9 Special significance of brokering transactions for other Citigroup companies

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

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

6.1.10 Derogation from generally described business procedures

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

6.2 Principal markets

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

7. ORGANISATIONAL STRUCTURE OF THE ISSUER

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

Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is also a silent partner of the Issuer, having a silent equity interest (“Stille Einlage”) totalling EUR 122,710,051.49 as of 30 November 2012.

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).

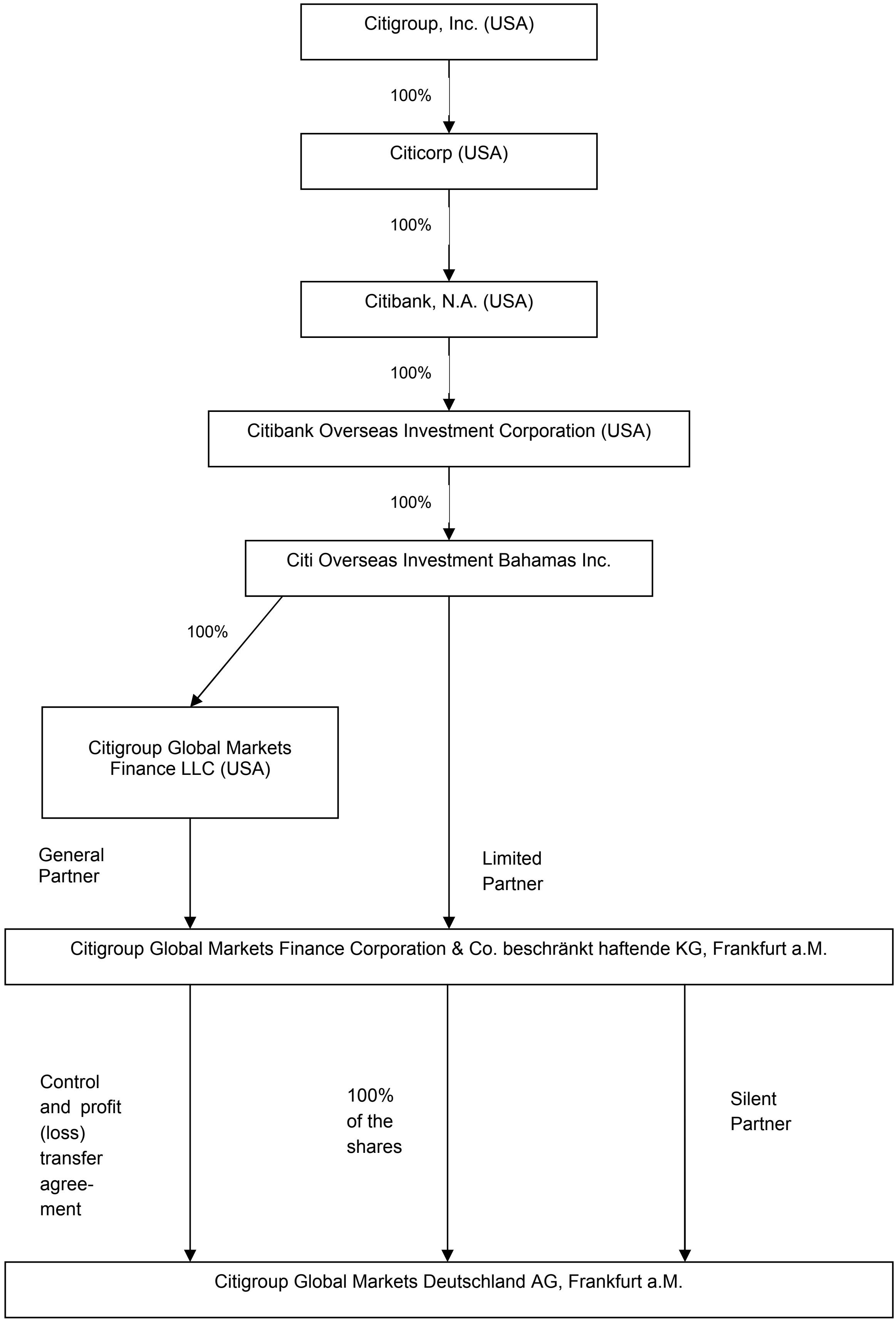
In addition to the integration of the Issuer into the Citigroup Inc. Group, a control and profit (loss) transfer agreement has been executed by the direct parent company and the Issuer.

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 (1) and (3) of the German Stock Corporation Act (“*AktG*”) to indemnify any annual net loss, which the Issuer incurs during the term of the agreement.

However, Citigroup is currently evaluating measures to optimize its organizational structure. In this context, the Issuer may become a wholly-owned subsidiary of, and subsequently merge with and into, Citibank International plc. as the acquiring entity. As a consequence, the aforementioned control and profit (loss) transfer agreement would be terminated.

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 2012.

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

The Issuer expects world economic growth in 2013 to increase slightly from 2.5 per cent to 2.6 per cent. In 2014 growth should increase to 3.2 per cent. The slowdown in world-wide economic growth was principally due to the slowdown of growth in the industrialized countries. The Issuer expects moderate growth of 1.0 per cent for industrialized countries in 2013 and a modest increase to 1.6 per cent in 2014.

Overall the Issuer expects continued significant variations between different regions in the world.

The Issuer expects a mild recession in the Eurozone (the Issuer's growth forecasts are for -0.6 per cent and -0.4 per cent for 2013 and 2014). This is seen to be due to the continuing sovereign debt crisis and the high level of private sector indebtedness in the peripheral European countries. The ECB is expected to continue to act to stabilise markets and to reduce interest rates in the second quarter of 2013 depending on further economic growth in the Eurozone, which could be followed by a forecast final interest rate reduction in the second half of the year. The Issuer considers it likely that southern Europe and Ireland will only gradually reach a common sustainable fiscal path. If the core countries in future are no longer prepared to increase their support for the peripheral states, this could lead to a raft of debt restructurings (with likely longer maturities and interest rate reductions), but probably not before 2015.

In the Warrants and Certificates Division, the competition is expected to remain intense among leading issuers. Further regulatory challenges are expected, which have to be integrated into the business in a timely manner.

Given the forecasts made by the individual business divisions and a restrictive cost management approach, the Issuer is expecting continued overall profits in fiscal years 2013 and 2014.

9. PROFIT FORECASTS OR ESTIMATES

The Issuer has decided not to make any profit forecasts or profit estimates in this document.

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;

- Reiner Henszelewski, Frankfurt am Main, employee representative, having his business address at Reuterweg 16, 60323 Frankfurt am Main.

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

- Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Director, Legal Department, Secretary Office of the Board, Regulatory Issues and Human Resources;
- Dr. Nikolaus Närger, Stuttgart, Director, Strategy, Business Planning, Corporate Banking, Asset Finance Products and CitiTransaction Services;
- Stefan Wintels, Frankfurt am Main, Director, Investment Banking; Banking – Financial Institutions & Public Sector and Customer Strategy (Banking);
- Christian Spieler, Frankfurt am Main, Director, Fixed Income Product, Share and Warrant Business, Alternative Investments, Asset Finance Products, Bond Issues and Risk Treasury;
- Heinz Peter Srocke, Hanau, Director, Treasury/Liquidity Management, Risk Management / Credit Processing, Accounting and Tax Department;
- Samuel Riley, Frankfurt am Main, Director, Internal Business/Banking Organization, Clearing and Settlement (Securites/Payments), Asset Finance Operations, IT and Operational Risk & Controlling;

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:

- Hans W. Reich: Member of the supervisory board of Aareal Bank AG;

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.

However, Citigroup is currently evaluating measures to optimize its organizational structure. In this context, the Issuer may become a wholly-owned subsidiary of, and subsequently merge with and into, Citibank International plc.

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 2012 and 2011 respectively are included in this Registration Document as a part of the annual report for fiscal year 2012 (in Annex I on pages F-1 through F-80 of this Registration Document) and 2011 respectively (in Annex II on pages G-1 through G-48 of this Registration Document). The remaining pages of the annual report for fiscal year 2012 and 2011 respectively do not contain any relevant information about the Issuer.

14.2 Auditing of historical annual financial information

The annual financial statements including the bookkeeping system and the management report of the Issuer for the business years 2012 and 2011, 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 2012 for which audited financial information was published.

15. LEGAL AND ARBITRATION PROCEEDINGS

There are no government interventions, legal proceedings or arbitration proceedings pending or threatened against the Issuer, which have been instituted against it and which may have or have within the last 12 months had significant effects on its 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 2012 and 2011.

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.

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ANNEX I: MANAGEMENT REPORT FOR FISCAL YEAR 2012

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March 8, 2013

Citigroup Global Markets Deutschland AG

Management Report for Fiscal Year 2012

1 Background Information about the Bank

Background Information about the Bank

1.1 Organization and legal structure

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

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

CGMD benefits from its integration in Citi, and maintains local business relations with about 120 core customers, including 29 of the 30 DAX-listed companies. The clients, who make up the strategically selected and targeted client group, include not only the most important, globally active corporate, insurance and banking groups and the governments of the Federal Republic and the Federal States, but also other public institutions in Germany. There are also business relationships with numerous subsidiaries of international groups, which maintain in their respective home countries a business relationship with other entities belonging to the Citi Group. Major products and services from the divisions of Corporate & Investment Banking, Markets and Citi Transaction Services will be explained in greater detail under “Key Business Divisions”.

CGMD is headquartered in Frankfurt am Main and maintains a branch office in London. As of November 30, 3012, CGMD had 334 employees.

The Bank is a fully licensed bank within the meaning of § 1 (1) of the German Banking Act (“KWG”) and had a balance sheet total of EUR 9,543 million (per November 30, 2012).

1.2 Bank business model and strategic positioning

Germany is one of the three most important markets for Citi – after the United States of America and Great Britain.

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

CGMD strengthened its Risk Management and Internal Audits departments in 2012 and therefore sees itself at the beginning of 2013 as adequately positioned to meet the regulatory requirements that have been announced. CGMD routinely reviews its operating efficiency because of volatile earnings expectations, assessing above all cost aspects. For operational and technical support of the processes needed to perform the services, CGMD works together with Citibank N.A., Frankfurt, and other Citi service centers located in Dublin, Warsaw and Budapest.

In 2012, CGMD did not make any significant changes to its existing business model. The business and risk strategy was also reviewed in 2012, and the priorities contained in the strategy were not changed.

Background Information about the Bank

1.3 Internal control system

The strategic and operational decisions for CGMD are made by CGMD's six-person Executive Board. The Executive Board is supported and monitored by three Supervisory Board members. The Executive Board meets monthly and when needed, and the Supervisory Board meets quarterly. CGMD also has an Advisory Board, which likewise meets quarterly and advises CGMD on political, macroeconomic and other strategic matters. In addition to the regular meetings of the Executive Board and the Supervisory Board, a Citi Country Committee ("CCC") meets each month and has as its members representatives from all significant business and staff departments. The CCC meetings address the concerns and affairs of all legal business entities of Citi in Germany.

For the meetings of the Executive Board, Supervisory Board and the CCC, the members are given reports about all significant activities, initiatives and risk reports and about the status of all business and staff departments.

The Executive Board will receive from the Risk Management Department regular reports on a daily, monthly and quarterly basis regarding the status of the 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 furnished security or collateral, legal lending limits and any credit risk on a commitment-by-commitment basis. The Bank's Supervisory Board shall be informed about the status of the Bank in the same manner. The Supervisory Board Chairman also attends the Executive Board meetings as a guest. The individual Executive Board members sit on various committees (for example, the CCC, Audit Committee, New Product Committee, Governance Committee).

In addition to the aforementioned Committees, the Asset Liability Committee ("ALCO") meets each month to focus on balance sheet management, cash flow management and risk management of the German Citi companies. The ALCO also monitors compliance with the capital adequacy requirements and examines the legal and regulatory requirements. The New Product Committee reviews all of the Bank's new products and the risks related thereto and, if necessary, approves them.

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

1.4 Major business divisions

CGMD is divided into three major business divisions: Corporate & Investment Banking ("CIB"), Markets, and Citi Transaction Services ("CTS"). They represent the core activity of CGMD.

CIB consists of Corporate Banking and Investment Banking.

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

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

Background Information about the Bank

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

The Transaction Services division does its business under the name Citi Transaction Services (hereinafter referred to as "CTS") and handles treasury and trade financing (under the name "Treasury & Trade Services" or "TTS") as well as securities settlement and custody services (under the name "Securities & Funds Services" or "SFS"). The products offered under these two divisions or segments include the settlement of global payment systems, liquidity management, trade financing and securities settlement and custody services.

1.5 Operations & Technology (O&T)

The technology services required by CGMD are outsourced to Citibank N.A., Frankfurt Branch ("CNAF") and cover the areas of technology infrastructure ("CTI") and the applications support ("ICG Technology"). CGMD also uses applications, which are set up in the global computer center network.

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

2 Business and General Conditions

Business and General Conditions in 2012

2.1 Trends and conditions in the economy

The global economy registered a moderate growth rate of 2.5% in 2012. The slowdown since 2011 affected, above all, industrial countries and was attributable to the declining economy in Europe, to still moderate growth in the US economy, to the debate surrounding the so-called "fiscal cliff" and to the weakening growth in emerging markets.

In 2012, Europe's attention was once again focused squarely on its sovereign debt crisis. The concern involved, above all, Greece's possible exit from the Eurozone, the level of debt held by Spanish banks, and the merely hesitant stabilization of financial markets in the Eurozone beginning in the middle of the second half of the year. The actions taken by the ECB in 2011 and 2012 to provide greater liquidity had benefited many of the European stock markets at the beginning of the prior year – also due to the absence of alternative investment opportunities.

During the course of the year, the deteriorating financing conditions for Italy and Spain as well as the ongoing uncertainty, at that time, about the political situation in Greece once again prompted the ECB to take action. Subject to the requirements of economic reform, a rehabilitation program for governments and monitoring under the European Stability Mechanism ("ESM"), the ECB last summer suggested that possible further intervention might be taken on the secondary markets for these countries in order to avoid the undesired breakup of the Eurozone. It was only after these announcements were made that the financial markets calmed down and the bond yields on new Italian and Spanish bonds declined. The growth rate in the Eurozone was negative in 2012, with the economy shrinking by 0.5%. We do not expect a significant improvement in the economy before 2015.

The growth rate in Germany was only 0.7% lower than had been forecasted for 2012. This is a considerable decline compared to the 3.0% growth rate forecasted back in 2011. The forecast for 2013 remains moderate at a level of 0.6%-0.7%. Unlike the rest of the Eurozone, we expect Germany to have a favorable change in its growth rate beginning in 2014.

The recovery in the US economy progressed slowly in 2012, as the economy grew by only 2.2% (2011: 1.7%). Although domestic demand in the United States improved during the course of last year, the slow recovery in the real estate market and the uncertainties in the Government's tax policies have stifled investments, however. It is expected that the Fed will continue to hold its prime rate at the currently low level for the next two years.

In 2012, growth in the Asian markets decelerated. In China, the debate about that country's slowdown in growth has been defused somewhat, after a higher-than-expected growth rate was reported for the fourth quarter. China's growth rate should range between 7-8% in the mid-term. One reason for this lower trend is the declining economy of industrial countries, which also gets reflected in China's growth rates. A similar picture emerges in the other export countries of Asia, like Singapore, Taiwan and Korea.

Business and General Conditions in 2012

2.2 Trends and conditions in the industry

In 2012, the financial services sector became the subject of more and more regulatory and political scrutiny at both international and national levels. The greater regulatory requirements led to higher costs and to lower earnings at both the international and national levels. Because of the sovereign debt crisis, bank earnings in Europe have at best stagnated and have even declined, specifically at banks in the peripheral European countries. Due to the intervention of regulators in certain states and their central banks, however, the consolidation in the banking industry has not continued. Higher equity capital requirements are forcing banks to pursue more aggressive balance sheet management and review their business models. Banks will continue to clean up their balance sheets. The American banks ended 2012 with profits. The Asian banks also seemed to have been less impacted and were even able to expand their market share in certain markets or enter new markets. A number of CGMD's competitors have retreated from certain niche businesses or have sold off divisions and portfolios.

2.3 Overview of CGMD business performance

The severe volatilities in the international financial markets triggered by the European sovereign debt crisis have adversely affected CGMD's earnings. Although the results reported from most business areas showed some relative stability, the uncertainty on the financial markets adversely affected the revenue generated from warrants and certificates trading. This is reflected in that segment's declining results.

The restructuring in Operations & Technology also led to an additional reduction in earnings for the entire Bank.

Due to the solid quality of the loan portfolio, credit defaults were avoided in 2012 as well. Developments in the individual business divisions are described below:

2.3.1 Markets

Equities

Despite the recovery on the global stock markets in 2012, many asset managers had to fight to contain cash outflows from equity funds. This resulted in substantially reduced commission revenues in Germany. Commission revenues in the CGMD's Equities Division were less strongly impacted than originally expected, however.

Warrants and Certificates

The uncertainties in the Eurozone and the persistent weak demand for equities are likewise reflected in the developments in the warrants and certificates business. In almost every large European market, there was double-digit decline in the revenues generated with these products. CGMD was unable to escape this trend. CGMD's position in these major markets remains consistently good, however, and by expanding direct trading with its clients, the Bank was even able to gain market share in a number of markets such as France. In 2012, the Bank was also able to penetrate Finland as another new market. By virtue of the cost-cutting measures launched, the decrease in the positive contribution margin to the overall earnings was able to be limited, however. During the course of the year, the warrants/certificates product portfolio was expanded into the commodities investment segment.

Business and General Conditions in 2012

Fixed Income Capital Markets

In the 2012 reporting year, CGMD advised on numerous stock and bond offerings in Germany, Austria and Switzerland. Most of the transactions concluded in this area were executed in EUR and USD. The services included senior unsecured offerings, bond redemptions, capital products such as Tier 1 and Lower Tier 2, and private placements.

Structured Product Brokerage / Fixed Income

Fixed Income Sales closed out 2012 slightly better than the prior year. The operating business focused on CGMD's sale of simple and structured credit and interest-rate products in Germany and Austria. A significant component of this business involved individual and client-customized structured transactions in derivative credit and interest-rate products.

The majority of the traded products were classified as liquid investments with the highest credit rating, which were traded on the primary and secondary market. Client focus in 2012 was on hedging positions.

The lower yields on new investments made it a difficult environment for pension funds and insurers in 2012. There was a conflict in the objectives between demanding higher yields while at the same time avoiding high risk. Insurers and fund companies placed their emphasis in 2012 on the interest rate segment and on managing positions on government bonds. During the course of 2012, investors increasingly focused on the core countries of Europe.

Foreign Exchange Management

The defining features of the foreign exchange business in 2012 were generally declining trading volumes, longer periods of lower volatility and less risk tolerance among institutional investors. Another influencing factor was the stricter requirement in risk management and the focus on higher return on capital. In this connection, the redenomination risk led to a decisive limitation in existing earnings opportunities. The fulfillment of the Basel III criteria had an adverse effect on earnings because of reduced or exposed trading limits for corporate clients and the lower prices of standard products (e.g., forward transactions and broadband options). Both of these factors also complicated the efforts to expand the client base, which had been planned for the start of 2012. Last but not least, the intense competition and the higher attention paid by global clients to the activities in the growth markets of Asia and Latin America had an adverse effect on the earnings development for the Foreign Exchange Management team.

2.3.2 Corporate and Investment Banking ("CIB")

Despite an overall difficult economic environment, the CIB Division in 2012 was able to preserve stability. By having selectively included new clients into its portfolio, the basis was established for future growth.

Corporate Banking worked in close cooperation with other Citi entities worldwide as well as the product segments represented in CGMD. The core task of Corporate Banking is to develop and implement for German clients solutions that rely on the global products and services offered by Citi. The client advisor functions in this regard as a liaison between clients and the relevant local Citi advisors in specific countries as well as the persons responsible for the products. Although CGMD is able in general to generate only a lower share of its overall earnings directly with such clients, most of the income is made from transfer pricing and cost allocations with other Citi entities.

The lending business decreased in 2012 in light of the prolonged substitution of Investment Grade Loans ("IGL") with Investment Grade Debt ("IGD") securities for clients who have investment grade ratings. Overall, however, irrevocable credit commitments made by CGMD compared to the prior year increased slightly. Business in the area of acquisition financing fell significantly due, above all, to a considerably lower number of acquisition transactions on the market.

In the area of advisory services, the volume of client-driven M&A transactions and capital market measures in Germany decreased compared to the prior year. The Citi share of the overall German M&A transactions (EUR 81.5 billion) in 2012 was 16.8%[1].

Moreover, the equity capital market, which is relevant to CGMD's target customers in Germany, shrank significantly in 2012. With a market share of 4.1% based on issue volumes of EUR 19.2 billion (2011: EUR 29.5 billion), CGMD acted as lead bank in initial public offerings of Talanx and O2. This development was attributable, above all, to the absence of major transactions on the market, a factor that determines the business success of this group.

[1] Source: Dealogic dated January 1, 2013. M&A on the basis of executed transactions and equity capital markets including rights issues.

2.3.3 Citi Transaction Services

The cash management product line reported a lower result in 2012 than in 2011. This is attributable mainly to the lower interest rates on the market and to the relative exchange rate weakness of the euro compared to the US dollar during the course of 2012. In order to offer additional cash management solutions, the cooperative ventures with partners from the technology sector were strengthened. In 2012, the migration of customers from German payment formats to the Single Euro Payment Area ("SEPA") format was further advanced. Many clients have already successfully completed the migration.

In 2012, the previous year initiative to gain more market presence in documentary credits for export transactions was continued in the area of trade financing. Given the economic conditions in many European countries, the issue of hedging risks in the supply chain has garnered greater attention. Moreover, client-side credit risks were pursued more actively and any required hedging measures were launched if it became necessary.

Due to the difficult market environment, the securities settlement and custody services product line was unable to continue the favorable trend of recent years. This is reflected in the reduced client-generated business. In order to adjust to the market harmonization with greater use of service centers in securities custody (Target-2 Securities) and operational payment systems, some of the processes were outsourced to Ireland and Poland.

2.3.4 Treasury

In 2012, CGMD was able to favorably expand upon the previous year's strategy in what had remained a challenging environment. The Bank had very good liquidity at its disposal at all times. All regulatory capital and liquidity ratios were met during the course of the year.

2.3.5 Personnel and non-financial performance factors

On November 30, 2012, CGMD employed 334 employees, which included employees working in the London branch office. The main reason for the decline in employee numbers from the previous year was the above-referenced outsourcing of middle office processes to other service centers of Citi, which was completed as of the end of 2012. The personnel restructuring measures will be completed no later than May 31, 2013.

Personnel planning is a component of the Bank's strategic planning and is tied to developments in the banking sector and the financial markets. If significant changes arise due to market developments, personnel planning will be adjusted in a manner that is timely and factors in existing social welfare considerations.

Business and General Conditions in 2012

The corporate culture at Citi is built upon a proud culture of achievement that is viewed as a cornerstone of business success. Using clear and structured principles, we strengthen this culture by:

- Setting goals and reviewing performance
- Differentiating performance
  Open employee discussions and employee training with the support of global, regional and local training programs. The training programs can be individually selected by employees *via* the global training platform (product seminars/soft skills seminars). Executive and management seminars round out the training program in so-called “classroom trainings”
- Promoting employee diversification and equal opportunity. In this connection, efforts are made to increase the number of women at all hierarchical levels of the Bank through an internal program known as “CitiWomen”. Since August 2011, Citi has been a member of the Diversification Charter (“*Charta der Vielfalt*”) in Germany

CGMD is committed to its employees within the company itself. CGMD has various projects that support people in need in the form of donations and work deployments and introductory career training for vocational high school students.

The so-called “Global Community Day” (“GCD”) is held once each year. In connection with the GCD, Citi employees get involved in social projects, for example, in kindergartens, retirement homes, and elementary schools.

2.3.6 Net assets

The balance sheet total of CGMD as of November 30, 2012 had increased from the prior year by EUR 853.0 million to EUR 9,543.0 million. The largest single line items on the balance sheet are receivables from banks in the amount of EUR 3,521.4 million (prior year: EUR 2,644.1 million) and liabilities owed to banks in the amount of EUR 2,027.27 (prior year: EUR 1,300.5 million) and the assets in the trading portfolio totaling EUR 5,700.4 million (prior year: EUR 5,054.7 million). As of the balance sheet date, the Bank reported liabilities in the trading portfolio totaling EUR 5,674.1 million (prior year: EUR 5,031.7 million). The "securitized liabilities" item, which amounts to EUR 78.0 (prior year: EUR 75.5 million), involves a US-denominated loan participation note that was issued to hedge a certain USD-denominated receivable from a bank.

As of the balance sheet date, the Bank held in its portfolio neither debt securities issued by government institutions and bonds nor other fixed-interest securities (prior year: EUR 535.8 million).

The trading portfolio assets and liabilities result largely from warrants and include the traded products recognized at market value.

At CGMD, the derivatives business, which is divided into trading books involving currency, equities, indexes, interest rate and other trade operations, is based on identifying, hedging and unloading risks.

The "foreign currency risk trading book" includes:

- OTC currency option transactions
- Currency warrants

The "equities and index risk trading book" includes:

- stocks and other variable-yield securities from the trading portfolio
- index bonds and equity discount certificates
- stock and index options
- Forward transactions on equities and indexes

The "interest rate risk trading book" covers:

- Interest rate swap agreements

The "other trading operations trading book" includes:

- Exchange-traded precious metal futures
- Warrants on commodities and precious metals

2.3.7 Financial condition

Refinancing of outstanding credits by securitizing and selling credit linked notes on the capital markets is no longer undertaken.

The Company's equity capital as of November 30, 2012 (including the capital contribution) totaled EUR 590.0 million (prior year: EUR 588.0 million) and included a silent participation in the amount of EUR 122.7 million (prior year: EUR 122.7 million).

Contingent liabilities arising under guarantees and warranties rose to EUR 593.9 million (prior year: EUR 495.2 million).

Irrevocable lines of credit totaled EUR 1,024.9 million (prior year: EUR 977.4 million).

Because the European liquidity management was centralized, CGMD was able to report high liquidity as of the balance sheet date. In the recently completed fiscal year, CGMD was therefore able at all times to meet its current payment obligations and to comply with the liquidity reports prescribed by law.

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

The changes in equity capital during the recently completed fiscal year were the result of the merger carried out between Citi Verwaltungsgesellschaft mbH i. L. and CGMD and effective as of December 31, 2011.

In addition, a special item was created ("fund for general banking risks) pursuant to § 340g HGB in the amount of EUR 9.4 million (prior year: EUR 6.6 million).

Business and General Conditions in 2012

2.3.8 Results of operations

Due to a general currency-congruent refinancing structure, exchange rate movements had only a marginal impact on CGMD's earnings. CGMD refinances itself primarily within the Citi Group, through the German *Bundesbank* and by borrowing funds from financial institutions.

For fiscal year 2012, CGMD reported a profit (before transfer to CKG and silent partners) in the amount of EUR 53.4 million (prior year: EUR 98.5 million).

Due to income from fixed-income securities resulting from the sale of residual debt securities and to the lower interest rate, net interest income declined to EUR 11.5 million (prior year: EUR 29.0 million).

Commission income rose by EUR 11.5 million to EUR 162.3 million (prior year: EUR 150.8 million). Commission income consists predominantly of transfer pricing revenue from brokering transactions with affiliated companies, for example, in order to broker products from other Bank divisions such as Fixed Income, Fixed Income Derivatives and Equity and Equity Derivatives. This item also includes commissions earned on securities transactions and Eurex products. At the same time, commission expenses climbed by EUR 10.0 million.

In the recently completed fiscal year, the Bank booked net income from the trading portfolio in the amount of EUR 25.0 million (prior year: EUR 59.5 million), which related to dividends received and transactions with warrants and certificates. The European debt crisis, the situation in the international financial markets and the volatile prices related thereto had an adverse effect on earnings in 2012.

Personnel increases rose by EUR 21.8 million to EUR 86.6 million (prior year: EUR 64.8 million) primarily due to the costs of restructuring.

Other administrative expenses climbed by EUR 2.1 million to EUR 74.1 million (prior year: EUR 72.0 million).

The profits, which were transferred under the profit transfer or partial profit transfer agreement, are attributable to CKG in the amount of EUR 35.8 million and to the silent partners in the amount of EUR 17.6 million.

Business and General Conditions in 2012

2.3.9 Key financial performance indicators

Using a number of key figures for the fiscal year, the table below provides an economic comparison with the prior fiscal year and thereby reveals the business development of CGMD.

	November 30, 2012 EUR m.	November 30, 2011 EUR m.	Change EUR m	Change %
Balance sheet total	9,543	8,690	853	9.8
Business volume	11,162	10,163	999	9.8
Equity capital	590	588	2	0.3
Loan portfolio	5,365	5,196	(169)	(3.1)

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

	December 1, 2011– November 30, 2012 EUR m.	November 30, 2011 EUR m.	Change EUR m.	Change %
Interest result from operations	11	29	(18)	(62.1)
Commission income from brokerage business	111	96	15	15.6
Commission income from securities business	18	17	1	5.9
Net income from trading operations	25	60	(35)	(58.1)
General administrative expenses	161	137	24	17.5

Business and General Conditions in 2012

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

	November 30, 2012 EUR m	November 30, 2011 EUR m	Change
Subscribed capital			
Share capital	210.6	210.6	–
Silent partner capital	122.7	122.7	–
Capital reserve	195.8	193.8	2
Legal reserve	33.0	33.0	–
Other earnings reserves	27.9	27.9	–

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

	November 30, 2012 EUR m	November 30, 2011 EUR m
Equity capital reported on the balance sheet	590.0	588.0
plus		
Funds for general banking risks per § 340g HGB		
less Intangible assets	9.4	6.6
	0	(0.3)
Core capital	599.3	594.3
Supplemental capital	0.0	0.0
Equity capital	599,3	594.3
Capital ratio		
Core capital in %	33.6	29.3
Total capital ratio in %	33.6	29.3

Despite the debt crisis in the euro area and the related volatility in the international capital markets, CGMD has nevertheless earned a profit again in the recently completed fiscal year.

3 Risk Report

Risk Report

3.1 Risk strategy and risk monitoring

In accordance with the minimum requirements for risk management, financial institutions must in an all-encompassing strategy describe how the risk profile resulting from its business activities are analyzed, monitored and managed. The four significant risk categories, which must be taken into account here, are liquidity risk, credit risk, market risk and operational risk. CGMD also identified pension fund risk, reputation risk, concentration risk, outsourcing risk, and equity investment risk as significant risks. Moreover, financial institutions must act to ensure that potential operational risks are covered with sufficient economic capital [*ökonomisches Kapital*].

CGMD created the appropriate infrastructure in order to adequately monitor and manage the aforementioned risks at any given time. For CGMD, a document was generated that specifies how the minimum requirements for risk management (MaRisk) are implemented into directives or guidelines. The idea here is to create an integrated risk inventory, factor in all risk concentrations, establish a risk-bearing capacity strategy and thereby stay within the risk-bearing capacity, limit and monitor risk, carry out regular stress tests, establish an informative reporting system to the Executive Board and roll-out an integrated strategy procedure, all based on the business strategy and the risk strategy derived therefrom.

In recent years, CGMD had revised major sections of the risk-bearing capacity concept. The calculation of the necessary economic capital rests on the going concern method, which presumes that the Bank is a going concern when comparing the aggregate risk coverage [*Risikodeckungsmasse*] and the required risk capital [*Risikokapital*] and it deducts the equity capital computed under the first pillar of Basel II from aggregate risk coverage that had been originally available. In 2013, additional components will be included in the concept in order to reasonably factor in aspects and requirements for creditor protection (liquidation approach).

All significant risks, which may be plausibly quantified for purposes of risk limitation and monitoring, are factored into the risk capital calculation. These risks include credit risk, market price risk, pension fund risk, investment risk and operational risks.

New regulatory requirements, such as the need to factor in risk concentrations and stress tests observations on risk positions (market risk and credit risk), were reasonably integrated into the risk-bearing capacity concept. Significant risks, which cannot be quantified by using models (liquidity risk and outsourcing risk), are appropriately managed through stringent monitoring and control procedures. The Bank has also identified reputation risk as a discreet, significant risk. Reputation risks are controlled and managed implicitly through the management of all other risk categories inasmuch as the reputation risk generally arises from the occurrence of events related to other risks.

The comprehensive risk strategy takes into account, over a three-year projection period, all risks, the macroeconomic environment, anticipated business development, potential internal and external influencing factors and adverse stress tests. Thus, the risk-bearing capacity is also tested over the projection period of CGMD.

3.2 Organization of the risk management

The organizational structure and workflow of the risk management system is set forth in detail in a global directive. CGMD follows this directive and based thereon has implemented its own local requirements, which meet the demands of the manual, and an equally independent risk-bearing capacity concept.

3.3 Overview of risk types

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

- Warrants
- Issuance and trade in investment certificates
- Money market transactions with credit institutions
- Purchase and sale of interest rate futures, mainly to hedge interest rate positions
- Securities borrowing (to a lesser extent)

Various types of risk related to these products are included in the risk monitoring as set forth below. In addition, CGMD faces risks arising from the classic, aforementioned lending operation with institutional counterparties and corporate clients.

3.3.1 Market risk

The market risk management of CGMD is divided into three main segments, which are responsible for currency risks, interest risks and other price risks, respectively.

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

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

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

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

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

In line with the risk quantification model, the Bank has defined limit structures and so-called “Management Action Triggers” for the individual trading books and for its Treasury.

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

3.3.2 Credit risk

CGMD continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions as well as the issuer risks [and the credit risks from the existing loan portfolio] are being observed. Monitoring is performed by a department that operates independently of the business. In the trading business, 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 in Markets or market surveillance.

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) shall be informed without undue delay. The Executive Board will also be informed about these facts in its daily report.

The table set forth below provides an overview on the structure of the loan portfolio according to types of loan:

(MM EUR)	4Q11	4Q12
LOANS	3,194	3,746
LOAN COMMITMENTS	977	1,025
BONDS	529	0
GUARANTEES	262	369
SETTLEMENT GUARANTEES	233	225
INVESTMENTS	0.8	0.8
GRAND TOTAL	*5,196*	*5,365*

The table set forth below provides an overview on the structure of the loan portfolio according to industry:

(MM EUR)	4Q11	4Q12
FINANCE	2,621	921
SERV&GOVERNMENT	1,395	2,880
INDUSTRIAL/CORPORATES	1,002	1,564
OTHERS	179	0
Grand Total	*5,196*	*5,365*

The table set forth below provides an overview on the structure of the loan portfolio according to countries and regions:

(MM EUR)	4Q11	4Q12
GERMANY	2,393	4,358
USA	2,301	510
EUROPE	285	266
ASIA	168	159
OTHER	49	72
Grand Total	*5,196*	*5,365*

3.3.3 Liquidity risk

Liquidity risk is managed by the Treasury Division. The controls are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. Risk Controlling monitors compliance with the limits on a daily basis and shall without undue delay keep the Executive Board 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.

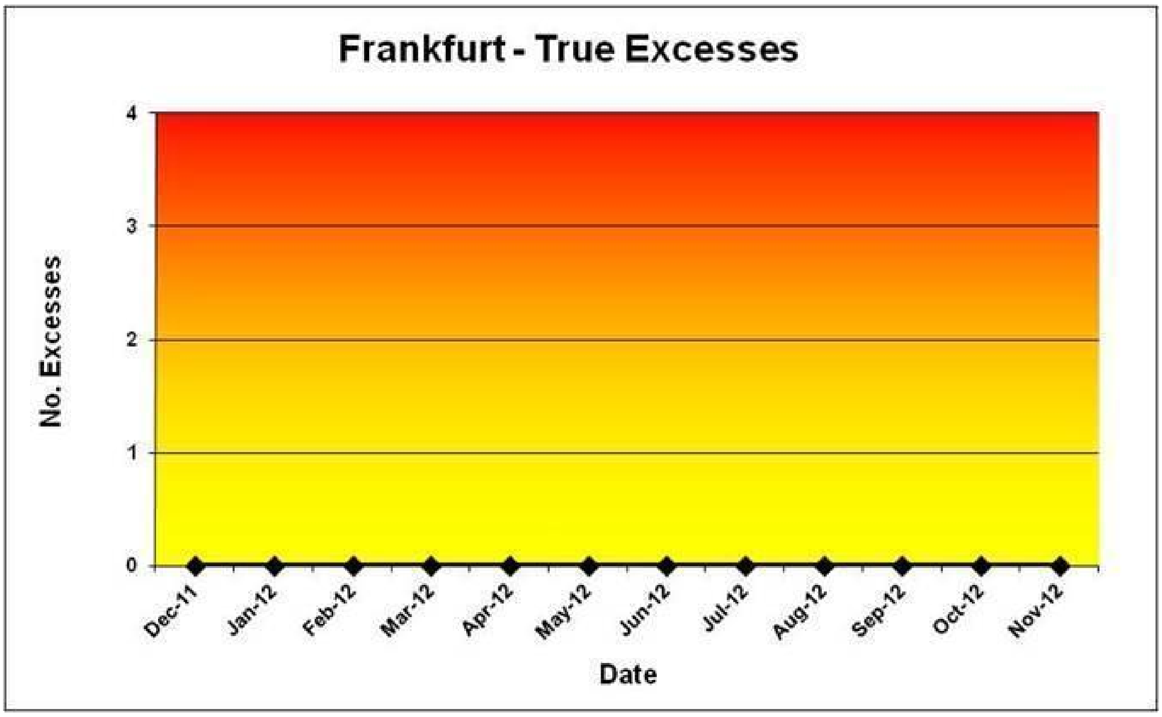
Risk Report

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, there was no limit breaches shown in the funding matrix.

The table set forth below, which shows the outcome of the daily funding matrixes, provides an overview of the Bank's liquidity situation as of the balance sheet date (Nov. 30, 2012):

30. Nov. 2012											
MAR - CGMD USD		**O/N**	**2-7**	**8-15**	**16-EOM**	**M2**	**M3**	**M4-M6**	**M7-M12**	**Y2**	**Y3 ->Y5**
In USD '000,000		2,733	1,924	1,924	1,930	1,891	1,891	1,855	1,851	1,747	46
	Limit	-720	-855	-990	-990	-990	-1,000	-1,000	-900		
	Limit utilization	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
	Excess	0	0	0	0	0	0	0	0	0	0

The following representation illustrates that CGMD did not report any breaches (excesses) of its liquidity limits in the fiscal year:



3.3.4 Pension fund risk

The Bank currently has three pension funds. However, the risk-bearing capacity calculation lists only two funds, for which CGMD bears an economic risk regarding the minimum return (yield) targets and a duty to make subsequent contributions. The investment strategy is set by the Pension Fund Investment Committee, whereby the actual management of the fund is the responsibility of an outside fund manager.

3.3.5 Operational risks

Operational risks are defined by CGMD as all risks which do not qualify as market, credit, pension fund or liquidity risks. Since 2012, the reputation risk has been handled separately from the operational risks. The operational risks are:

- *Clearing (Processing Risk)*
  The risk of processing business transactions incorrectly or carrying out transactions that do not comply with the intention and the expectation of the Bank's management
- *Information Risk*
  The risk that information, which was prepared, received, conveyed or stored internally or outside of the Bank, can no longer be accessed. Furthermore, this information may be of poor quality, handled incorrectly or misappropriated. Risks resulting from the use of the information processing systems themselves are also classified as information risks.
- *Personnel Risk*
  Due to its specific product concentration, the Bank has a strong need for qualified and trained professionals and managers. Thus, it runs the risk of high employee turnover or the risk of being unable to attract and retain sufficiently qualified staff. Moreover, this risk should be understand to include the risk that employees of the firm deliberately or negligently breach pre-defined rules or do not comply with the best practices of the Bank.
- *Legal and Regulatory Risks*
  We define all risks resulting from binding contracts and legislation as legal risks. Regulatory risks result from the regulations that are applicable to the Bank and the damages or losses derived therefrom in the event such regulations are violated.
- *Deception risks*
  These risks involve both internal and external risks of deception such as bribery, insider trading, data theft.

The Bank also considers other operational risks (franchise risk, insurance risk, technology risk) in a risk inventory that was performed in 2012.

The responsibility for the implementation measures with respect to managing the operational risks lies with the department heads and business managers below the Executive Board level. These persons are responsible for creating, documenting and regularly updating all work directives and control procedures. The supervision of the operational risk and the reporting thereof are the responsibility of the Country Risk Senior Manager. For this purpose, a comprehensive risk analysis of all potential operational risks was performed in fiscal year 2011/2012.

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

3.3.6 Other significant risks

The Bank has very low equity investment risks, which arise primarily from equity holdings in infrastructure platforms. This risk category is viewed as significant, even though the investment volumes are very low.

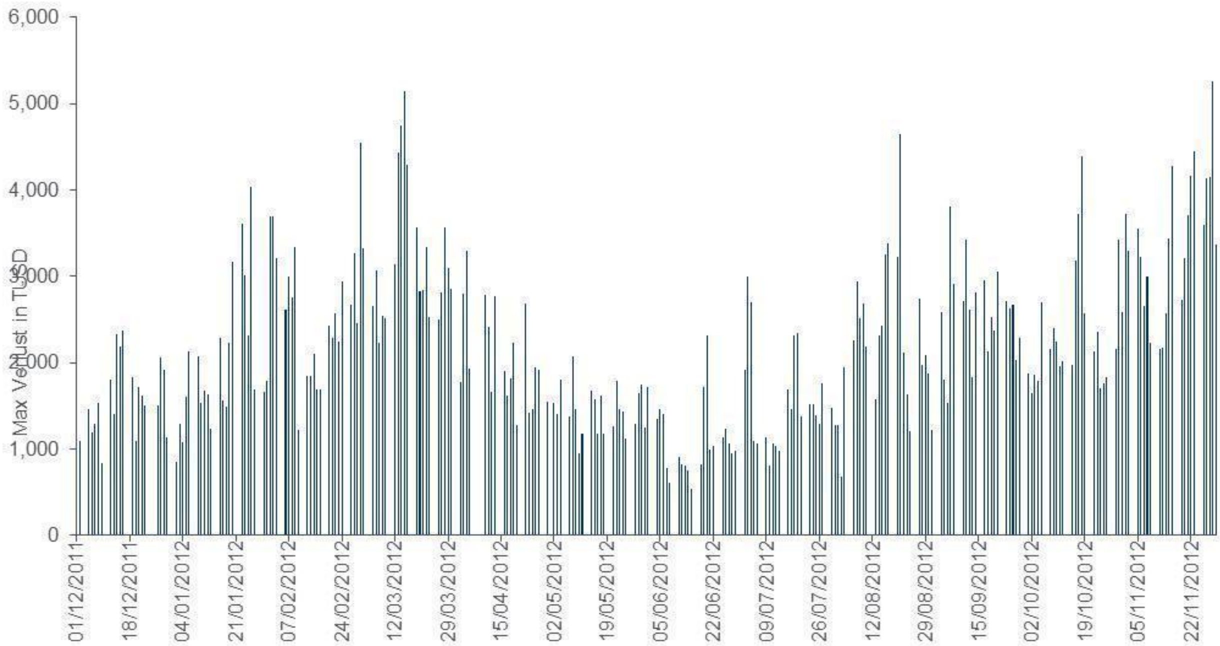
In the past, CGMD has outsourced various processes and procedures to internal and external service providers (outsourcing risk). The outsourced processes involve primarily settlement, clearing and middle office services for trading and credit products. The processes are generally outsourced to the service centers located in Dublin, Warsaw and Budapest. These entities function as service providers for the entire region of Europe - Middle East - Africa (“EMEA”). A suitable control and management infrastructure with firm responsibilities guarantees at all times transparency concerning these processes and seamless workflow within the process chain.

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.

Risk concentrations, which under AT 2.2 MaRisk constitute a significant risk element, are included in various qualitative and quantitative analyses in the overall Bank strategy. The qualitative inclusion of risk concentrations is done implicitly through the risk capital models and through the developed stress scenarios (inverse stress test).

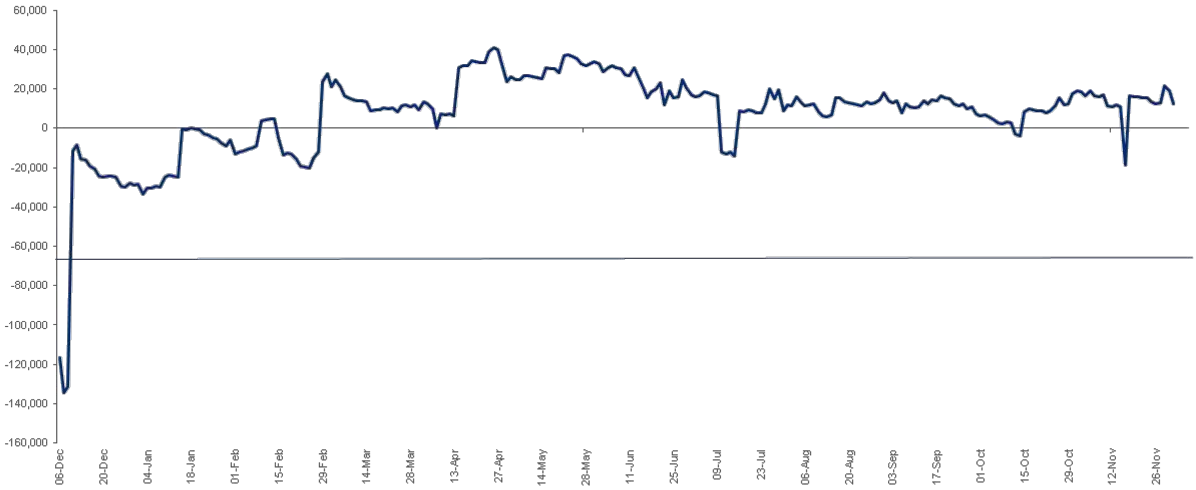
3.3.7 Risk quantification

The diagram below provides an overview on the development of the VaR in fiscal year 2012:



Due to the massive distortions that occurred on the global financial markets in August of 2011, the Bank significantly lowered the market price risks that originate from the Equity Warrants Division. A modified hedging strategy allowed the VaR to be reduced to a relatively low level as of the end of 2011. Since mid-2012, the VaR usage has once again risen and matches the long-term averages, even though the peak values, which were seen in the past, are no longer being observed due to the aforementioned, adjusted hedging strategy. The usage of the VaR limits in fiscal year 2012 was at a relatively low level both on a consolidated basis (see description above) and on the portfolio level for all trading book areas.

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

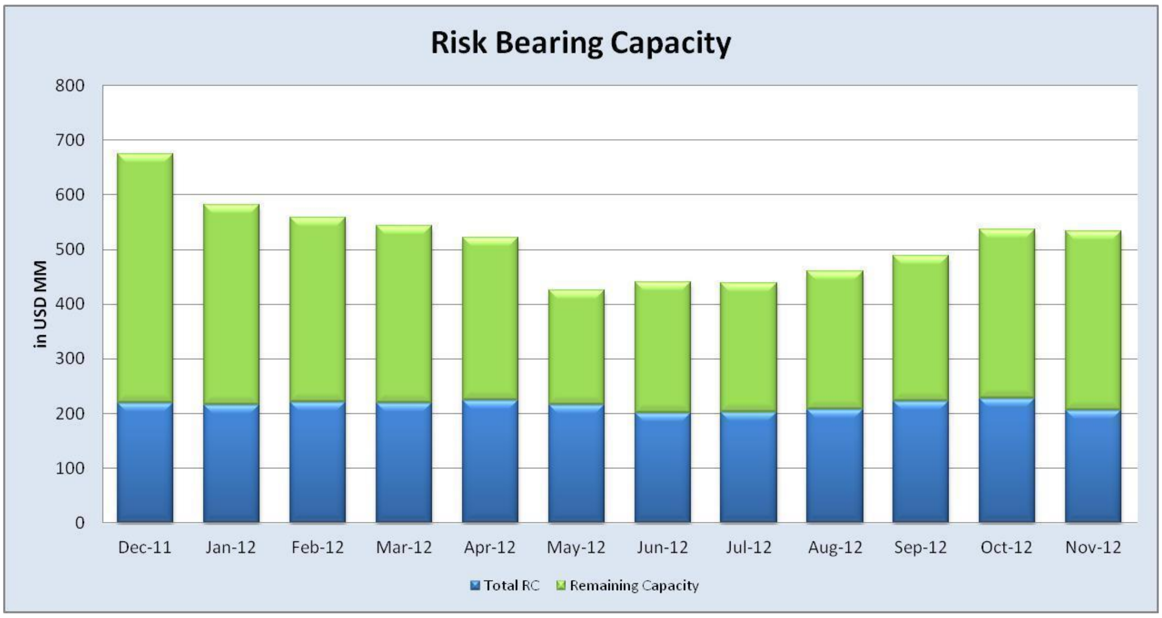


The table/graphical depiction below shows the development of the economic capital requirements for each quantifiable and significant type of risk facing CGMD in fiscal year 2012. The figures shown are in USD millions. Under the last column labeled "trend", the trend in the risk-bearing capacity is shown as a comparison to the previous year's month. Concentration risks are implicitly taken into account through the use of the different risk capital models. The concentration risk specified in the table ("Concentr. Risk") is based on a decided operational risk scenario, which reflected potential income risk concentrations in previous years. The Bank no longer sees any necessity for covering this discreet scenario with risk capital and since November 2012 no longer includes the ensuing reduction in aggregate risk coverage into the risk-bearing capacity concept.

Risk Report

Month	Credit Risk	Market Risk	Operational Risk	Equity Risk	Pension Fund Risk	Concentr. Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend*
Dec-11	82.5	31.2	43.7	1	44	16.2	218.6	674.6	456.1	stable
Jan-12	78.5	30.8	44.5	1	44	16.2	215	582.0	367.0	down
Feb-12	79.6	35	45.4	1.1	44	16.2	221.3	558.2	336.9	down
Mar-12	80.6	44.8	45.1	1.1	32	16.2	219.8	543.8	324.0	stable
Apr-12	80.6	44.9	48.8	1	32	16.2	223.5	521.2	297.7	stable
May-12	80.4	39.6	45.8	1	32	16.2	215	425.1	210.1	down
Jun-12	77.3	26.4	46.5	1	33	16.2	200.4	439.4	239.0	stable
Jul-12	83.3	23.5	45.3	1	33	16.2	202.3	438.6	236.3	stable
Aug-12	80.4	29.7	46.5	1	33	16.2	206.8	460.6	253.8	stable
Sep-12	81.5	36.5	47.7	1	39	16.2	221.9	488.3	266.4	stable
Oct-12	84.6	40.3	47.9	1	38	16.2	228	535.9	307.9	up
Nov-12	71.5	46.8	47.9	1	38	0	205.2	533.6	328.4	up

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

3.3.8 Summary description of the risk situation

Given the improvements made in the entire risk management arena during the reporting period, the Bank has the tools that are 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.

4 Internal Control System

Internal Control System

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

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

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

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

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

The Supervisory Board is collectively responsible for discharging the control function of the accounting-based internal control systems and will be informed about such matters at Supervisory Board meetings.

In 2012 and in accordance with the Citi Group standard, the Bank operated on the "Risk and Control Self Assessment" (RCSA), which is consistent with the "Internal Control – integrated Framework" adopted by the "Committee of Sponsoring Organizations of the Readway Commission" (COSO). With the help of this system, Citi performs on a worldwide basis for each organizational unit at a procedural level the task of identifying the risks and implemented controls and then documents these "end-to-end" procedures. Since the beginning of 2013, CGMD has been working on implementing a global follow-up procedure - the so-called "Management Control Assessment ("MCA") - which is intended to supersede the RCSA. The implementation of the procedure remains the responsibility of all processing staff members within CGMD. The US-GAAP accounting is governed by Citi's "Accounting Policy Manual", which is applicable worldwide. Under the local accounting system, analytical test runs and controls are performed for all significant account developments and for changes in the individual items as of the applicable record date for the financial statements.

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

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

5 Outlook

Outlook

5.1 Macroeconomic outlook

The Bank[2] is forecasting a slight increase in growth (between 2.5% and 2.6%) for the global economy in 2013. The growth rate should climb to 3.2% in 2014. The weakening global growth can be attributed above all to the slowdown in growth among industrial countries. For those industrial countries, the Bank is expecting moderate growth of 1.0% for 2013, with a slight increase to 1.6% in 2014.

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

The Bank is expecting a mild recession in the Eurozone (the Bank's growth forecasts are -0.6% and -0.4% for 2013 and 2014, respectively). The ongoing sovereign debt crisis as well as the high level of debt held by the private sector in the European peripheral countries is viewed as a cause for this trend. It is expected that the ECB will also continue to intervene in the markets in order to stabilize them and, depending on how the economy in the Eurozone develops in the second quarter of 2013, could take additional measures to presumably lower the interest rate one last time during the second half of the year. In 2012, the ECB has already shown its willingness to react to new and recurring crisis situations with the commensurate intensity. Should the ECB uphold this stance again in 2013, then this could lead to further relief on the financial markets. The Bank believes it is likely, however, that Southern Europe and Ireland will not immediately follow a common fiscal path. If the core countries in the future are no longer prepared to support the peripheral countries on a larger scale, then this could lead to a series of debt restructurings (probably through extensions and interest rate reductions), but probably not before 2015.

The Bank believes that after US economic growth weakens from 2.2% in 2012 to 1.9% in 2013, the economy will rebound in 2014 with a growth rate of 3.1%. The developments driving this trend are increasing domestic demand, more favorable financing conditions and the diminished concern about the consequences of a "fiscal cliff".

The Bank anticipates strong growth in the emerging markets of Asia, Latin America, Africa and the Middle East and is projecting there 5.2% growth in 2013 and 5.5% growth in 2014. The strongest growth should come from China (7%) and India (6%).

In light of the sovereign debt crisis, weaker growth and the volatility on the markets, revenue growth for the banking industry will tend to be relatively moderate. For 2013, the Bank is assuming an increase of about 1.6%. The Bank expects that restructuring will not take place in a number of European countries until after 2013. Issues such as capital requirements, regulation and restructuring will be the major themes in the banking industry in 2013. In addition, cost-cutting and the review of the relevant business models will move back stronger into focus. Increased regulatory requirements in equity capital and liquidity will continue to preoccupy the entire financial industry.

[2] The Bank's assumptions are based on forecasts provided by Citi Research.

Outlook

For Germany, the Bank is forecasting growth rates of about 0.5% for 2013 and 2014. The anticipated moderate increase in economic output should come not only from stronger non-European demand and therefore a further rise in exports but also from broader domestic demand. Until the *Bundestag* elections are over, the Bank does not expect any significant legislation given the political distribution of power.

For the industrial countries, the inflation rate should be more moderate at 1.6% in 2013, but then increase slightly to 1.9% in 2014. The inflation rate in Germany should also hover below 2%. With respect to the inflation rates for the emerging countries, the Bank expects a slight increase from 4.4% in 2012 to 4.6% in 2013 and then to 4.7% in 2014. The increase will be triggered primarily by price increases in commodities, energy and food.

5.2 Expectations for Bank performance

It is neither planned nor expected that the Bank's business model will change significantly in 2013. CGMD will continue to focus on its core business and, in light of the difficult market environment, will attempt to maintain and expand its current market share. In this respect, the Bank will advise and support its clients in all global activities by relying on the global network and products of Citi. In 2013, the Bank shall once again operate a disciplined cost management program. It will direct its attention to improving operational efficiency and further strengthening the corporate governance structures. Optimizing internal procedures will also remain a focus. There is no plan to significantly expand the client portfolio, the volume of business and the selection of products and services. The Bank does intend, however, to selectively add to its client base strategically important clients, to the extent that a business model can be developed which provides sustainable economic benefits for these clients and Citi. The credit standing of the current client portfolio is viewed as stable. The loan portfolio exposure to the peripheral countries is to the largest extent limited. No significant detriment from that exposure is anticipated.

Given the forecasts made by the individual Bank divisions and departments and given the restrictive cost management approach, the Bank is again projecting an overall profit for fiscal years 2013 and 2014.

5.3 Solvency

Due to the stable balance sheet structure and the solid overall conditions, CGMD's ability to pay its debts as they fall due (i.e., its solvency) was and is guaranteed at all times. The Executive Board of CGMD assumes that the foregoing ability will continue to exist in 2013 and 2014 as well.

Outlook

5.4 Significant opportunities and risks for the business divisions

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

5.4.1 Corporate & Investment Banking

In the advisory business, CGMD expects that the environment in 2013 and 2014 will continue to be influenced by the ongoing macroeconomic uncertainties and by new regulatory requirements. These causes will likely inhibit any kind of quick jump in the number of transactions on the market. As described above, the expansion of the client portfolio will be done selectively and only for corporate clients who are considered strategically important. The market environment should remain very competitive with a large number of domestic and international banks and niche providers. The need among the Bank's competitors to strengthen their equity capital ratios and to adjust their business models should allow CGMD, however, to gain some additional business and new assignments.

As a whole, the Bank expects a stable environment in the lending business and a moderate rise of activity in the corporate client business, in the departments and divisions that advise on mergers and acquisitions and in capital market transactions.

CIB is exposed to direct credit risk and liquidity risk on its existing loan portfolio. Recognizing and handling such risk is covered in the risk report. Naturally, this Division is exposed to operational risks (including reputation risks). These risks are included in the risk inventory. Furthermore, the CIB Division sees risks from persistent competition and uncertainties in the macroeconomic environment, which could have an impact on CGMD's market share. Liquidity risks are handled by Treasury and are likewise covered in the risk report.

5.4.2 Markets

With respect to the Markets Division in 2013, the uncertainty on the markets and the volatility that this creates will probably influence income and commissions in the client-related business. The Division is expecting development that is similar to the previous year.

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

Outlook

Equities expects that the worldwide stock indexes will recover somewhat, but that uncertainty will prevail about how the economic situation in Europe will continue to develop. A significant deterioration in the financing conditions for countries of the euro area will be the greatest threat to the basic scenario of rising equity markets. If the boom in the bond markets should weaken, then this could benefit the equity markets which are still suffering from intense volatility.

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

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

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

Based on the structure of our client base, a weakening of the euro (particularly relative to the USD) and a renewed increase in the currency volatilities should mean additional income opportunities based on hedging transactions. Moreover, the Bank should be able to profit from an increasing number of cross-border acquisitions and mergers as well as other forms of capital market transactions conducted in foreign currencies (e.g., initial public offerings/listings of subsidiaries of German companies outside the Eurozone).

For warrants and certificates, the business division continues to expect strong competition from the leading underwriters. Regulatory requirements are also expected, which must be integrated into the business operation in accordance with the prescribed schedules and deadlines.

The Markets Division is exposed to market risk, issuer risk and liquidity risk by virtue of having to post products related to the warrants business sector. The market risk arises, above all, from the macroeconomic uncertainty and the concomitant investor behavior, which could have an impact on the volume of transactions. For a discussion on how these three risks are handled, we refer to the discussion in the risk report.

The marketing activities unrelated to warrants will expose CGMD to operational risks (including reputation risks), which are included in the risk inventory. In this respect, we likewise refer to the discussions in the risk report.

5.4.3 Citi Transaction Services

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

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

Outlook

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

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

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

6 Supplementary Report

Supplementary Report

There have been no events of special importance following the conclusion of fiscal year 2012, which had a material effect on the description of CGMD’s business performance.

7 Information about Acquisitions

Information about Acquisitions

No acquisitions are anticipated for 2013.

8 Remuneration Report

Remuneration Report

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

The total remuneration and benefits received by members of the Executive Board in the fiscal year, including any stock options granted, equal TEUR 5,614.6. The pension obligations equal TEUR 1,278. The total remuneration and benefits, including all exercised stock options, of the former members of the management bodies and their survivors, equaled TEUR 850 in the reporting year. An amount totaling TEUR 47,190.5 was set aside for pension and early retirement obligations owed to former members of the management bodies and their survivors.

Based on the stock-based remuneration, approximately 30,000 shares were granted as variable compensation.

In 2012, a penalty system was introduced during the calculation of the variable compensation in order to take into account a negative contribution to performance by an Executive Board member (penalty provision).

9 Executive Board Responsibility Statement

Executive Board Responsibility Statement

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

CGMD AG

The Members of the Executive Board

Annual Balance Sheet as of November 30, 2012

Citigroup Global Markets Deutschland AG, Frankfurt am Main

Assets	**EUR**	**EUR**	**EUR**	**11/30/2011 TEUR**
1. Cash reserve				
a) Petty cash		4.348,68		8
b) Credit balances held at central banks		2.763.578,79		6.725
of which: at the German *Bundesbank* (German Central Bank)				
EUR 2.763.578,79 (11/30/2011 TEUR 6.725)				
c) Credit balances held at post giro offices		-,--	2.767.927,47	6.733
2. Receivables from banks				
a) due upon demand		504.131.710,00		2.071.643
b) other receivables		3.017.296.163,15	3.521.427.873,15	572.430
3. Receivables from clients			293.956.265,30	411.370
of which: secured by mortgages or other real property				
security interests EUR -,-- (11/30/2011 TEUR -)				
municipal loans EUR -,-- (11/30/2011 TEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-,--			-
ab) issued by others	-,--	-,--		-
b) Bonds and debt securities				
ba) issued by government institutions	-,--			535.841
of which: eligible as collateral with the German				
Bundesbank EUR -,-- (11/30/2011 TEUR 535.841)				
bb) issued by others	-,--	-,--		-
of which: eligible as collateral with the German				
Bundesbank EUR -,-- (11/30/2011 TEUR -)				
c) Bank's own debt securities		-,--	-,--	-
Face value EUR -,-- (11/30/2011 TEUR -)				

5.	**Equities and other variable-yield securities**		102,26	-
5a	**Trading portfolio**		5.700.370.792,17	5.054.720
6.	**Equity investments**		367.842,30	679
	of which: in banks EUR 217.842,30 (11/30/2011 TEUR 218)			
	in financial services institutions EUR -,-- (11/30/2011 TEUR -)			
7.	**Intangible assets**			
	a) Internally generated industrial property rights and similar rights and assets	-,--		-
	b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	15.951,42		325
	c) Goodwill	-,--		-
	d) Prepayments	-,--	15.951,42	-
8.	**Tangible assets**		2.646.168,99	2.761
9.	**Other assets**		14.436.170,20	32.876
10.	**Prepaid and deferred items**		675.853,79	699
11.	**Aktiver Unterschiedsbetrag aus der Vermögensverrechnung**		6.303.249,00	-
Total assets			9.542.968.196,05	8.690.077

		EUR	EUR	EUR	11/30/2011 TEUR
					Liabilities and Equity Capital
1. Liabilities owed to banks					
a) payable on demand			1.007.532.046,76		1.503.818
b) having an agreed term or notice period			38.479.847,90	1.046.011.894,66	20.313
2. Liabilities owed to clients					
a) Savings deposits					
aa) having an agreed notice period of three months		-,--			-
ab) having an agreed notice period of more than three months		-,--	-,--		-
b) Other liabilities					
ba) payable on demand		1.157.178.508,11			1.037.813
bb) having an agreed term or notice period		870.513.679,57	2.027.692.187,68	2.027.692.187,68	262.645
3. Securitized liabilities					
a) Debt securities issued			-,--		-
b) Other securitized liabilities			78.029.544,65		75.517
of which:					
money market paper	EUR -,-- (11/30/2011 TEUR -)				
own acceptance and promissory notes outstanding	EUR -,-- (11/30/2011 TEUR -)				
c) Miscellaneous securitized liabilities		-,--	-,--	78.029.544,65	-
3a Trading portfolio				5.674.095.474,59	5.031.668
4. Other liabilities				62.548.158,01	104.585

5. Deferred items			206.767,16	261
6. Accrued liabilities				
a) Pension and similar obligations		2.360.238,00		5.289
b) Tax accruals		-,--		-
c) Other incurred liabilities		52.667.956,38	55.028.194,38	53.587
7. Funds for general bank risks as defined in § 340e (4) of the German Commercial Code			9.386.489,84	6.613
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	195.745.810,73	195.745.810,73		193.746
c) Earnings reserve				
ca) legal reserves	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		27.916
d) Unappropriated earnings/loss (balance sheet profit/loss)			589.969.485,08	587.969
Total liabilities and equity capital			9.542.968.196,05	8.690.077

	EUR	EUR	11/30/2011 TEUR
1. Contingent liabilities			
a) Contingent liabilities from credited but uncleared bills of exchange	-,--		-
b) Contingent liabilities from guarantees and warranty commitments	593.915.080,00		495.232
c) Contingent liabilities from security provided on behalf of third parties	-,--	593.915.080,00	-
2. Other obligations			
a) Commitments under fictitious repurchase (repo) agreements	-,--		-
b) Placement and underwriting commitments	-,--		-
c) Irrevocable lines of credit previously granted	1.024.936.270,32	1.024.936.270,32	977.359

Income Statement

for the Period of December 1, 2011 through November 30, 2012

Citigroup Global Markets Deutschland AG, Frankfurt am Main

	EUR	EUR	EUR	12/1/2010-11/30/2011 TEUR
1. Interest income from				
a) Loans and money market transactions	29.908.834,04			52.381
b) Fixed-income securities and debt registered claims	425.614,80	30.334.448,84		22.109
2. Interest expenses		18.857.048,41	11.477.400,43	45.512
3. Current income from				
a) Shares and other variable-yield securities		20.468,70		-
b) Equity investments		3.740,00		44
c) Interests in affiliated enterprises		-, --	24.208,70	-
4. Commission income		162.259.933,33		150.782
5. Commission expenses		10.664.796,08	151.595.137,25	288
6. Net income from financial trading operations included therein are deposits into a special account per § 340g HGB EUR 2,773,925.82			24.965.332,41	59.513
7. Other operating income			26.439.313,79	14.220
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	73.311.755,27			56.308
ab) social securities contributions, pension and welfare expenses	13.317.543,74	86.629.299,01		8.471
of which: for pensions EUR 9.064.407,17 (12/1/2010.-11/30/2011 TEUR 4,273)				
b) Other administrative expenses		74.063.402,37	160.692.701,38	72.047
9. Depreciation, amortization and write-down of tangible and intangible assets			1.123.295,39	2.002
10. Other operating expenses			106.506,65	10.225
11. Write-downs of, provisions for, receivables and certain securities and additions to loans reserves		-, --		12.407

12. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	622.090,27	622.090,27	101
13. Write-downs on equity investments, interests in affiliated enterprises and long-term securities		311.069,36	-
14. Results from ordinary operations		52.889.910,07	91.890
15. Extraordinary income		-, --	36.199
16. Extraordinary expenses		-, --	29.955
17. Extraordinary result		-, --	6.244
18. Taxes on income and earnings	481.957,90		333
19. Other taxes, to the extent not included under item 10	-,--	481.957,90	-
20. Income from loss transfers		-, --	-
21. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		53.371.867,97	98.467
22. Annual net income		-, --	-
23. Profit carried forward/loss carried forward from prior year		-, -- #	-
		-, --	-
24. Transfers from capital reserves		-, --	-
		-, --	-
25. Transfers from earnings reserves			
a) From legal reserve	-, --		-
b) From reserve for treasury shares	-, --		-
c) From reserves required by the Bank's articles of association	-, --		-
d) From earnings reserves	-, --	-, --	-
		-, --	-
26. Transfers from capital with participation rights		-, --	-
		-, --	-
27. Transfers to earnings reserves			
a) To legal reserve	-, --		-
b) To reserve for treasury shares	-, --		-
c) To reserves required by the Bank's articles of association	-, --		-
d) To other earnings reserves	-, --	-, --	-
		-, --	-
28. Replenishment of capital with profit participation rights		-, --	-
29. Unappropriated earnings (balance sheet profit)		-, --	-

Cash Flow Statement Pursuant to DRS Nr. 2-10

	2012 TEUR	Prior year TEUR
Annual Net Income	**0**	**0**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	-10,693	-34,087
Changes in accruals	3,230	20,134
Changes in other non-cash expenses/income	2,152	18,802
Gain/loss from the sale of financial and tangible assets	4	2
Other adjustments (in net terms)	-14,947	-46,670
Subtotal	**-20,254**	**-41,819**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	-877,355	876,391
- from clients	117,554	-31,862
Debt securities and other fixed-income securities	536,322	-11,630
Trading portfolio assets	-645,651	-1,434,619
Other assets from current operating activities	18,463	1,743,410
Liabilities		
- owed to banks	-478,119	-917,684
- owed to clients	727,234	54,565
Securitized liabilities	2,512	11,476
Trading portfolio liabilities	642,428	1,338,401
Other liabilities from current operating activities	56,377	-1,586,123
Interest and dividend payments received	35,446	88,129
Interest paid	-20,981	-41,792
Income tax payments	482	333
Cash flow from current operating activities	**94,458**	**47,176**
Payments received from the sale of		
- financial assets	250	2,849
- tangible assets	619	1,147
Payments made for investments in		
- financial assets	-1,503	-1,518
- tangible assets	-1,323	-2,140
Payments received from the sale of consolidated companies and other business units	0	0
Payments made for the purchase of consolidated companies and other business units	0	0
Change in cash resources based on investing activities (in net terms)	0	0
Cash flow from investing activities	**-1,957**	**338**
Payments received from contributions to equity capital (capital increases, sale of own shares, etc.)	0	0
Payments made to company owners:		
- dividend payments	-98,467	-48,123
- outgoing payments	0	0
Changes in cash resources other capital (in net terms)	2,000	0
Cash flow from financing activities	**-96,467**	**-48,123**
Cash and cash equivalents at the end of the previous period	**6,734**	**7,343**
Cash flow from current operating activities	94,458	47,176
Cash flow from investing activities	-1,957	338
Cash flow from financing activities	-96,467	-48,123
Cash and cash equivalents at the end of the period	**2,768**	**6,734**

In the reporting year, the profits, which were paid out on the basis of a profit transfer or partial profit transfer agreement, were reposted from the "cash flow from current operating activities" to the item "cash flow from financing activities". The same procedure was then used for the prior year figures.

For the first time in this reporting year, the items known as trading portfolio assets and trading portfolio liabilities were shown as separate items in the cash flow statement. In prior years, these figures had been shown under change in other assets from current operating activities and change in other liabilities from current operating activities. For comparison purposes, the prior year figures were adjusted accordingly.

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Subscribed capital TEUR		Capital reserve TEUR	Earnings reserves TEUR	Unapro-priated profit/los s TEUR	Total equity capital TEUR
	Share capital	Silent partner capital				
Per November 30, 2011	210,570	122,710	193,745	60,944	-	587,969
Capital increases/ sale of own shares	-	-	-	-	-	-
Capital reductions/ own share buy-backs	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Other changes	-	-	2,000	-	-	2,000
Annual result 2012	**-**	**-**	**-**	**-**	**-**	**-**
Per November 30, 2012	210,570	122,710	195,745	60,944	-	589,969

The other changes resulted from the merger of Citi Verwaltungsgesellschaft mbH i. L. and Citigroup Global Marktes Deutschland AG, which was completed in the fiscal year.

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

Citigroup Global Markets Deutschland AG
Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2012

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

Pursuant to a merger agreement dated August 21, 2012, Citi Verwaltungsgesellschaft mbH i. L., Frankfurt am Main, was merged with Citigroup Global Markets Deutschland AG effective December 31, 2011.
By virtue of the merger, the assets of Citi Verwaltungsgesellschaft mbH i. L., including its liabilities, passed to Citigroup Global Markets Deutschland AG as the universal legal successor, and Citi Verwaltungsgesellschaft mbH i. L. has been dissolved.

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

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

1. Accounting and Valuation Methods

The annual financial statements for fiscal year 2012 were prepared in accordance with the German Banking Act (KWG), the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

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

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

As of November 30, 2012, the risk discount equaled TEUR 236 for the foreign currency risk trading book, TEUR 7,939 for the equities and index risk trading book, and TEUR 1,819 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 949, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

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

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

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

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

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

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

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

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

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

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of 9 ***Schuldscheindarlehen*** (loans that are

documented with a certificate of indebtedness known as a "*Schuldschein*") and a face value totaling TEUR 58,000. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,681 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 in the amount of TEUR 9,062.7 because they had been completely covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements).
Due to the credit standing of the counterparty, we assess the default risk resulting from the interest rate swap agreement as negligible. The measurement of prospective hedge effectiveness was carried out using the critical term match method. To measure the ineffective portion of the hedge, the Bank matches the positive market values of the hedge transaction (less any accrued interest) with the market value of the *Schuldscheindarlehen*. As of the balance sheet date, this match yielded a net surplus position (asset), which meant that no provision for the threatened losses needed to be made.

Moreover, in connection with hedging the credit risk, an additional hedge was set up under § 254 HGB and involved a credit default swap (which spun out of a loan participation note that was booked under securitized liabilities) and the receivable that it thereby hedged. The default risk existing on the underlying receivable (the underlying) was transferred in its entirety and until its date of maturity to the holder of the loan participation note. The nominal amount of the underlying and the hedge is USD 100,000 in each case, and both of these amounts are due for repayment on April 7, 2014. Here again, the measurement of prospective and retrospective hedge effectiveness was carried out using the critical term match method. On the balance sheet date, the Bank elected not to write-down the underlying (receivable) due to the interest rate level and the credit standing of the issuer in the amount of TEUR 53.9, inasmuch as these are held as collateral by the holder of the loan participation note.

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. CGMD had calculated an amount of TEUR 772.4 as the period of serve expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

The simplification rules under § 253 (2) sentence 2 HGB were used with respect to the pension provisions. In order to calculate the present cash value, the average market interest rate over the last 15 years based on the Bundesbank discount rates and totaling 5.06% was used as the actuarial interest rate. Future salary and wage increases were estimated at 2.25%, and at the same time, a 2.0% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables.

As part of the efforts to hedge the pension commitments, the Bank purchased or was contractually promised units in the **Rose** fund at costs of acquisition equaling TEUR 107,886.2 and **assets and liabilities were netted** in accordance with § 246 (2) sentence 2 HGB.

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 7,853.5 (prior year: TEUR 5,997.3) and from the change of the fair value of the plan assets also resulted in income of TEUR 18,484.7 (prior year: TEUR 3,787.7). These earnings components are netted and then reported under other operating income.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 147,931.3 (prior year: TEUR 129,446.7). The settlement amount of the pension obligations - which equaled TEUR 141,628.1 (prior year: TEUR 133,958.0) - 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 6,303.2 and were reported under the item “Excess of plan assets over post-employment benefit liability” (prior year: TEUR 4,511.3, which was reported under “Pensions and similar obligations” because the settlement amount exceeded the plan assets).

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 6,142.5. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,026.0 (prior year: TEUR 7,524.8). The settlement amount of the liabilities to be netted equaled TEUR 9,026.0 (prior year: TEUR 7,524.8).

In the current fiscal year, the interest accrued on the liabilities yielded an expense in the amount of TEUR 1,537.3 (prior year: interest income of TEUR 792.4), and the change in the fair value of the plan assets resulted in income of TEUR 1,537.3 (prior year: TEUR 792.4).

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 9,443.0. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,660 (prior year: TEUR 9,782.5). The settlement amount of the liabilities to be netted equaled TEUR 10,660 (prior year: TEUR 9,782.5).
In the current fiscal year, the accrual on the obligations generated an expense in the amount of TEUR 433.7 (prior year: interest income TEUR 254.9), the standard allocation [*Regelzuführung*] produced a personnel expense of TEUR 98.5 (prior year: TEUR 25.6), and the change in the fair value of the plan assets yielded income of TEUR 532.2 (prior year: expense TEUR 280.5). The 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 41,044.1, and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current year, the accrual of interest on the pension obligations generated an expense totaling TEUR 2,534.5 (prior year: 2,262.2). The change in the fair value of the plan assets resulted in income totaling TEUR 1,496.3 (prior year: TEUR 671.4). Current income in the amount of TEUR 1,489.9 (prior year: TEUR 1,489.9) was also generated. These components of the result are netted and reported under other operating income. In addition, the standard allocation creates a personnel expense in the amount of TEUR 2,024.5 (prior year: TEUR 41.5).

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 47,012.0 (prior year: TEUR 44,223.6). The settlement amount of the pension obligations to be netted was TEUR 49,373.1 (prior year: TEUR 45,001.7) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 2,360.2 (prior year: TEUR 778.1) and was reported under the item “pensions and similar obligations”.

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

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

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

The other accrued liabilities or provisions have a term to maturity of less than one year, except for the early retirement obligations.

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

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

The future cash flow resulting from such transactions as well as the risk and administrative costs are discounted to present value on the basis of a risk-free yield curve after converting into the reporting currency, if required.
Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their legally 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, 2012, 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, 2012 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 50,114.5 (prior year: TEUR 28,078), results entirely from the capitalization of the plan assets at fair value in the amount of TEUR 214,630.2. Freely available provisions exceed the total sum of the amounts which are barred from payout distribution.

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

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

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

2. Notes on the Balance Sheet

a) Fixed asset movement schedule

	Original acquisition costs		Reversal of write-downs (cumulative write-ups)		Accumulated depreciation, amortization and write-downs		Book values	
	Nov. 30, 2011	Additions (Disposals) Reposting	Nov. 30, 2011	Additions	Nov. 30, 2011	Additions (Disposals) Reposting	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets acquired for consideration	5,782	(235)	-	-	5,457	309 (235)	16	325
Office and plant equipment	15,709	934 (2,851)	-	-	14,492	455 (2,334)	1,179	1,217
Leasehold improvements	13,429	390 (15)	-	-	11,992	360 (15)	1,467	1,437
Construction in progress	107	(107)	-	-	-	-	-	107
Equity investments	679	-	-	-	-	311	368	679
Total	35,706	(1,884)	-	-	31,941	(1,149)	3,030	3,765

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

b) Assets based on terms to maturity

Receivables from banks

	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
a) payable on demand	504,132	2,071,643
b) up to three months	2,937,574	479,780
c) more than three months and up to one year	1,266	15,000
d) more than one year and up to five years	77,006	75,793
e) more than five years	-	-
accrued interest	1,450	1,857
	3,521,428	2,644,073

Receivables from clients	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
a) up to three months	237,107	314,382
b) more than three months and up to one year	21,707	61,783
c) more than one year and up to five years	34,000	34,000
d) more than five years	-	-
accrued interest	1,142	1,204
	293,956	411,369

Liabilities owed to banks	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
a) payable on demand	1,007,532	1,503,625
b) up to three months	37,706	19,935
c) more than three months and up to one year	770	373
d) more than one year and up to five years	-	-
accrued interest	4	198
	1,046,012	1,524,131

Liabilities owed to clients	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
a) payable on demand	1,157,178	1,037,786
b) up to three months	785,039	167,566
c) more than three months and up to one year	32,022	5,200
d) more than one year and up to five years	13,000	44,023
e) more than five years	40,000	45,000
accrued interest	453	883
	2,027,692	1,300,458

Securitized liabilities	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
a) issued debt securities		
less than one year	-	-
more than one year and up to five years	77,006	74,527
more than five years	-	-
accrued interest	1,024	990
b) miscellaneous securitized liabilities		
less than one year	-	-
more than one year and up to five years	-	-
	78,030	75,517

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

	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
Receivables from banks	468,659	2,017,751
Receivables from clients	16,195	21,830
Other assets	17,091	9,299
Liabilities owed to banks	568,314	1,000,848
Liabilities owed to clients	890,041	237,909

d) Assets and liabilities denominated in foreign currencies

	Nov. 30, 2012	Nov. 30, 2011
	TEUR	TEUR
Assets	2,534,077	1,218,597
Liabilities	1,758,207	955,039

e) Other notes

Of the equity investments, only TEUR 0.1 are publicly listed. Equity investments totaling TEUR 367.8 are not eligible for a stock market listing.

The asset shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 5,192,872 (prior year: TEUR 4,360,549), debt securities and other fixed-income securities in the amount of TEUR 356,428 (prior year: TEUR 588,081), and shares including, *inter alia*, variable-yield securities in the amount of TEUR 151,071 (prior year: TEUR 106,090). Of the debt securities and other fixed income securities, TEUR 356,428 (prior year: TEUR 588,081) were eligible or listed for trading on a stock market. Of the shares and variable-yield securities, TEUR 151,071 (prior year: TEUR 106,090) were eligible or listed for trading on a stock market.

The liability shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of TEUR 5,244,409 (prior year: TEUR 4,377,056) and liabilities arising from issued and outstanding debt securities in the amount of TEUR429,686 (prior year: TEUR 654,612).

The securitized liabilities include other securitized liabilities in the amount totaling EUR 78.0 (prior year: EUR 75.5 million). This item contains debt securities, which are linked to loans made to clients (credit linked notes). The item was included in a hedged item pursuant to § 254 HGB.

The item 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 9.6 million (prior year: EUR 3.7 million). Provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 22.3 million (prior year: EUR 29.5 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 2012 was EUR 17.6 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 593.9 (prior year: EUR 495.2 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 1,024.9 million (prior year: EUR 977.4 million), approximately EUR 902.6 million (prior year: EUR 761.0 million) had a term to maturity of more than one year. The lines of credit have been granted exclusively to non-banks.

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

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

f) Other contingent liabilities

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

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

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

Since the 4th quarter of 2009, the Bank has been participating in the credit filing system [*Krediteinreichungsverfahren*] of the German Central Bank [*Bundesbank*], pursuant to which the credit commitment on file serves as security for the cash funds received.

The Bank will also be liable under the debt assumption dated November 30, 2011 in connection with the benefits owed for the pension commitments. Commensurate indemnity payments, the amount of which tracks the period of service expense, have been contractually promised by the contracting partners.

3. Notes on the Income Statement

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

Net interest income totaled EUR 11.5 million (prior year: EUR 29.0 million).

Commission income was EUR 162.3 million (prior year: EUR 150.8 million). This amount includes primarily brokerage commissions of EUR 111.2 million (prior year: EUR 96.3 million) from affiliated enterprises, commissions on securities transactions, and Eurex products.

Commission expenses increased by EUR 10.4 million to EUR 10.7 million (prior year: EUR 0.3 million). This increase can be attributed mostly to a rise in intra-group cost sharing for relationship management of EUR 10.4 million.

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

Under the item net income of the trading portfolio, an amount of EUR 2.8 million (prior year: EUR 6.6 million) was deducted pursuant to § 340e (4) HGB and then added to the fund for general bank risks in accordance with § 340g HGB.

Other operating income was EUR 26.4 million (prior year: EUR 14.2 million).
The item includes income unrelated to the accounting period of EUR 0.1 million (prior year: EUR 0.5 million).

Personnel expenses increased by EUR 21.8 million to EUR 86.6 million (prior year: EUR 64.8 million). The change can be traced mostly to the outsourcing of significant aspects of clearing and settlement and to the related rise in the restructuring expenses.

The other administrative expenses totaled EUR 74.1 million (prior year: EUR 72.0 million) and consist primarily of processing costs of Citibank N.A., London, custody fees, rents and costs for the listing of derivative products.

In the fiscal year, the Bank booked earnings based on taxes on income and earnings from earlier years in the amount of EUR 0.5 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, was terminated. The expenses incurred for domestic taxes are still shown at the level of the tax group parent company (*Organträger*).

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt, in the amount of EUR 35.8 million and to the silent partner in the amount of EUR 17.6 million.

4. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2012 includes:

a) Annual audit services	EUR 692,828.00
b) Other consulting services	EUR 149,405.00
c) Tax advisory services	EUR 0.00
d) Miscellaneous serves	EUR 75,000.00
e) Total	EUR 917,233.00

5. Notes on Derivative Transactions

a) Types of derivative transactions

As of November 30, 2012, 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, 2012, as follows:

ba) Foreign currency risk trading book

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC currency options					
Bought	35	-	-	35	0.6
Sold	-	-	-	-	-
Currency warrants					
Own issues					
Bought	1,427	1,385	-	2,812	256.5
Sold	1,562	1,412	-	2,974	./. 261.7

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

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bb) Equities and index trading book

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC-traded stock options					
Bought	2	-	-	2	-
Sold	2	-	-	2	,/, 0.5
Equity warrants					
Own issues					
Bought	3,865	2,269	-	6,134	1,328.3
Sold	4,728	2,511	-	7,239	./.1,372.5
Third party index warrant issuers					
Bought	20	-	-	20	0.4
Index warrants					
Own issue					
Bought	12,238	12,158	-	24,396	3,574.7
Sold	13,017	12,292	-	25,309	./. 3,598.3
Third party equity warrant issuers					
Bought	2	-	-	2	0.7
Exchange-traded index futures					
Bought	407	-	-	407	4.6
Sold	557	-	-	557	./. 7.7
Exchange-traded index options					
Bought	545	22	-	567	10.2
Sold	69	8	-	77	./. 1.9

	< 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	716	80	-	796	26.4
Sold	80	4	-	84	./. 2.0
Index and equity certificates					
Own issue					
Bought	141	201	-	342	356.4
Sold	177	200	-	377	./. 429.7

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

bc) Interest rate risk trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Interest rate swap agreements					
Bought	-	5	-	5	1.4
Sold	-	5	-	5	./.1.4

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

bd) Other trading operations

	< 1 year nominal amount 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 issues					
Bought	129	56	-	185	4.7
Sold	195	71	-	266	./. 5.0
Exchange-traded precious metal futures					
Bought	49	-	-	49	./. 1,0
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, 2012, 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	14,457	3,043	-
Other trading transactions	2,220	17,516	-
Total	16,677	20,559	-

d) Non-settled forward transactions

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

6. Miscellaneous notes

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

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

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

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

The Supervisory Board consists of the following members:

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

During fiscal year 2012, the Bank employed an average of 348 persons. The average period of employment for staff members as of November 30, 2012 was as follows:

146	Employees	up to 5 years
77	Employees	6-10 years
60	Employees	11-20 years
51	Employees	21 years or more
334		

In fiscal year 2012, total remuneration to the Executive Board (including stock options granted) was TEUR 5,614.6. Pension obligations totaled approximately TEUR 1,278.0. In the reporting year, total remuneration of former members of management bodies and their survivors (including stock options exercised) totaled approximately TEUR 850.1. Accrued liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 47,190.5.

On the basis of the equity-based remuneration, approximately 30,000 shares were granted as variable compensation.

In fiscal year 2012, supervisory board remuneration totaling TEUR 27.3 was granted. The Company has exercised its elective right under § 286 (4) HGB regarding disclosures about provisions for current pensions and pension expectancies [*Anwartschaften*] of the supervisory board members under § 285 (9) b.

In fiscal year 2012, the members of the advisory board [*Beirat*] were paid compensation totaling TEUR 327.3 by the Bank.

At year end, there were no outstanding loan obligations owed by members of the Executive Board of Citigroup Global Markets Deutschland AG.

In fiscal year 2012, Hans W. Reich was chairman of the supervisory board of Aareal Bank AG.

The subscribed capital of Citigroup Global Markets Deutschland AG & Co. KGaA consisted of registered share capital of EUR 210.6 million and a silent partner contribution of EUR 122.7 million. The registered share capital is divided into 8,236,778 no par value shares.

Frankfurt am Main, March 8, 2013

Citigroup Global Markets Deutschland AG

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

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, 2011 through November 30, 2012. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

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

Our audit did not lead to any reservations.

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

Frankfurt am Main, March 13, 2013

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Frankfurt am Main, den 13. März 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fox	Alpermann
Wirtschaftsprüfer	Wirtschaftsprüfer

ANNEX II: REPORT FOR FISCAL YEAR 2011

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Citigroup Global Markets Deutschland AG
Management Report for Fiscal Year 2011

Business Development

Citigroup Global Markets Deutschland AG (hereinafter referred to as “CGMD”) maintains active business relationships with approximately 100 of the most important corporate, insurance and banking groups in Germany as well as with the government of the Federal Republic of Germany and the regional governments of the Federal States. In addition, there are also business relationships with numerous subsidiaries of international groups, which maintain in their respective home countries a business relationship with other companies belonging to the group of Citigroup Inc., New York (hereinafter collectively referred to as "Citi"). CGMD specifically supports its clients in

- providing them with liquidity,
- participating in syndicated loans and/or capital market financing,
- advising them in the management of interest rate and currency risk,
- investment banking,
- cash management,
- export financing,
- issuing warrants, certificates and notes,
- the settlement or custody of securities, and providing support and advisory services for institutional investors,
- supplying numerous structured and derivative products or services

CGMD works closely with other Citi companies in these matters.

Due to its proven risk management and the above-average credit standing of its client portfolio, Citi was able to avoid direct loan defaults once again in fiscal year 2011

Fiscal year 2011 was dominated by the European debt crisis and by the related impact on the euro as a single currency and on the economy of the Eurozone. Despite the strong volatility that this produced on the international financial markets, the Bank’s earnings improved compared to fiscal year 2010.

CGMD is headquartered in Frankfurt am Main and maintains a branch office in London. As of November 30, 2011, Citi had 468 employees working in Germany, of which 361 worked for CGMD. We would like to express our appreciation and thanks to all our employees and advisors for their high level of commitment and for the contributions they made.

The current and future development of CGMD depends mostly on the development of Citi Group.

Development of Macroeconomic Fundamentals

After an encouraging start to 2011, GDP growth weakened both in Germany and in the Eurozone, pushing the Eurozone economy to the brink of a recession. Despite the poor conditions and the weakening dynamic in 2011, the GNP grew by 3.0% according to the leading economic institute. The unemployment rate fell again from the prior year and, based on data provided by the Federal Government, was estimated at 6.6% in December of 2011. Even Germany's net public debt (*Nettoneuverschuldung*) improved and was projected at 0.9% of GDP in the recently completed year.

Market Review

After the DAX performed well in the first seven months of 2011, the intensifying debt crisis and the ensuing uncertainty caused significant price corrections in August and September. Although the German index recovered slightly by the end of the year due to various factors and influences, it still closed the year at 5,898 points, which represents a 15% decline since the beginning of the year.

Equities Business

The international equities indexes reported broad declines in 2011 and in some cases had to endure significant drops. In this fairly difficult environment, the German Equities Team was still able to increase market share and commission revenue relative to its competitors. Specifically contributing to this development were an initial public offering and a capital increase of two major corporations; deals on which the Citi team successfully participated. Due to the difficult market environment, however, the number of employees fell slightly as of the end of 2011. The Division is optimistic about 2012 and is hoping to continue the favorable trend.

Warrants and Certificates

In the Warrants and Certificates Division, the recently completed 2011 fiscal year could be divided into two very distinct periods. In the first half of fiscal year 2011, the constantly increasing demand for investment and leverage products had been a reflection of the favorable market environment. In August, the market began encountering great volatility and falling stock prices due to external events and circumstances. Citigroup was able to generally defend its market position in this area, even though the individual markets and segments developed quite differently. The product offering for derivatives on commodities and foreign exchange was successfully expanded. The market for investment certificates further weakened during the course of the year due to the market environment. A new market for this business area was captured when the Bank entered Sweden at the beginning of the year. In fiscal year 2011, the good positioning in the leveraged product business in various countries once again yielded a positive contribution to earnings.

For 2012, the Division is anticipating the market environment to be difficult. Through the concerted effort to expand the product range in some countries, the new markets in Scandinavia and the good positioning in the core markets, we are nevertheless expecting to still make a favorable contribution to earnings.

Capital Market Activities and Interest Rate-related Client Business

Fixed Income Capital Markets

During the reporting year 2011 in Germany, Citi acted successfully as lead manager for German, Austrian and Swiss issuers on a number of bond offerings by governments and industrial companies.

On a large number of transactions, CGMD also acted within the Citi Group as advisor for the placements.

Structured Product Placements

This business focuses on selling structured interest rate and credit products to Germany and Austria through CGMD. A major part of the business consists of placing credit derivative and interest rate transactions, which are individually tailored to meet the requirements of our clients.

The focus at the German banks was on liquid investments with the highest credit rating, in the primary and secondary markets and the hedging of client-related business. In 2012, the Division will concentrate on setting up individually collateralized refinancing solutions and supporting the optimization of the bank balance sheets specifically in view of the challenge created by the release of risk capital.

Among the fund and insurance company client groups, the main focus was on liquid rates products and specifically on the management of government bond positions. During the course of the year, the investors fixated more and more of their attention on core Europe. For 2012, we continue to expect the debt crisis to persist and have therefore assumed that investors will want to stay with a conservative investment strategy. The goal is to support our investors by providing the best possible liquidity.

In 2011, a number of insurance carriers and pension funds had to contend with lower yields in the area of new investments. For this reason, restructurings and de-risking made up the primary trends, even though the serious capital requirements of Solvency II were weakened a bit. Nevertheless, there remains an inherent conflict between the demand for higher yields and the demand for a lower risk profile / less capital consumption. The considerable capital market distortions and lower yields in 2011 melted away some of the Company’s reserves and have made long-term capital market planning much more difficult.

Foreign Exchange

The hallmark of our foreign exchange business with large companies and institutional investors was the high volatility on the currency markets throughout the year. The newly introduced higher capital costs for foreign exchange futures and options contracts (*Devisentermin- und -optionsgeschäfte*) had an adverse effect on the Division’s earnings, but were nevertheless offset somewhat through higher trading volumes with existing clients and the creation of new client accounts. An additional focus was on the further development of risk-reducing measures such as higher documentation requirements, the launch of a new information system and the rollout of a new settlement process.

Business with Corporate Clients, Insurance and Banking Clients as well as the Public Sector (Global Banking)

Compared to 2010, CGMD’s volume of client M&A transactions and capital market measures generally declined in Germany in 2011. Considerably lower deal volume, above all in the M&A and Equity Capital Markets Divisions, could be compensated only in part through higher volumes in bond offerings from issuers with investment grade ratings.

Global Banking was able to contribute to CGMD's overall result with a favorable contribution margin. For 2012, one continues to expect a difficult market environment, which is marked by high volatility in the capital markets, the challenges in the global economy and sovereign debt risks. For the client portfolio as a whole, the expectation is that activities in the areas of M&A and capital market transactions will remain muted.

Lending Operations

In its lending operations with international corporate clients, the volume of funds Citi provided as principal on a global scale was not significantly different from the volume of funds it provided in the previous year. In this regard, CGMD benefits from its working relationship with major German corporations that do business worldwide and that have had a long-standing client relationship with Citi.

The corporate client segment works together closely with other Citi entities throughout the world as well as with the product sectors covered at CGMD. One of the key duties of employees engaged in this segment is to structure and implement solutions for major German clients within the Citi global network. The client advisors serve as the link between the client and the relevant representatives of the product groups and the Citi representatives in other countries.

Global Transaction Services

Global Transaction Services (hereinafter referred to as “GTS”) offers innovative solutions in Cash Management, Trade and Securities & Funds Services to global companies, financial institutions and the public sector. The product offering includes processing payment transactions worldwide, liquidity management, trade finance, securities settlement and custody services. With its network, which spans over 100 countries, Citi offers its clients integrated solutions that are not just local but also cross-border.

In fiscal year 2011, Cash Management remained a major element contributing to the value of the GTS business segment in Germany. With new developments and new launches in the product package, there was success in offering solutions that meet the needs of the clients in the German market. One example here is the introduction of the procurement card as a particularly efficient and cost-savings solution for government and civil service.

In order to improve the visibility and the service in the Trade Finance Division (*Handelsfinanzierung*) with an emphasis on the confirmation of letters of credit, an initiative for market penetration was carried out in the summer of 2011. Client reaction was quite positive and led to an increase in business volume in this field.

The Securities & Fund Services unit was likewise able to successfully close out 2011 with a significant increase in activities. In addition to the wide range of products canvassing all aspects of clearing and settlement for trading platforms (both local and European), CGMD also has a derivatives clearing platform that is designated for the clients‘ trading activities.

Moreover, the services offered by CGMD in this product segment include comprehensive services for warrant and certificate offerings and for the settlement of capital market transactions and project financing. Based on the favorable client feedback furnished in connection with the annual survey conducted by Global Custodian Magazine, CGMD was awarded a “Top Rated” ranking in 2011.

Because of the system developments and investments and the client-customized additions to the product packages, the GTS business segment also sees itself well positioned for 2012 to meet the complex demands of the business in Germany and throughout the world.

Treasury

In order to support economic growth, governments and central banks in the Eurozone took a number of different actions. The interest rate increase, which had been originally taken by the ECB in 2011 in an effort to stem rising inflation, was revised, and instead two interest rate reductions were carried out in the second half of the year. The Bank is assuming at this point in time that the interest rate will not change or will change only minimally during the course of 2012.

The liquidity situation on the financial markets was influenced to a very large extent by the various monetary policy measures taken by the ECB. In addition to those securities of the Eurozone governments that been heretofore accepted as eligible collateral, the totality of securities eligible as collateral was expanded in order to guarantee sufficient liquidity for the markets. In addition to the normal money market operations, a tender auction was carried out with a three-year term at fixed interest rates in order to forestall potential credit shortages. In order to prevent a shortage in liquidity for non-euro currencies, bilateral swap limits were implemented between the respective central banks. The ECB had thereby revealed its willingness to work efficiently under difficult and in some cases chaotic market conditions. The Bank assumes that this will be the case again in 2012.

CGMD operated successfully in this difficult environment during 2011. As it has been able to do in the past, CGMD can report an extremely solid equity ratio and balance sheet structure. Once again in 2012, CGMD will be cultivating its good relationships with national and European central banks. Our experts actively work on various working committees of associations in order to profoundly shape the structure of the banking industry. New developments and regulatory changes are analyzed and – to the extent possible – anticipated. Our resources continue to allow us to offer our clients adequate scale and the desired treasury products.

Risk Management

In October 2007, the German Federal Financial Supervisory Authority (the *Bundesanstalt für Finanzdienstleistungsaufsicht* or "BaFin") defined minimum requirements for risk management (MaRisk). Major sections of these requirements were once again revised and supplemented by new versions of MaRisk published in 2009 and 2010. Financial institutions must explain in an all-encompassing strategy how the risk profile resulting from its business activities is analyzed, monitored and managed. The four main risk categories, which must be included here, are liquidity risk, credit risk, market risk and operational risk. CGMD and Citibank, N.A. New York, Frankfurt branch, have established the appropriate infrastructure in order to adequately monitor and manage the aforementioned risks at all times. Financial institutions must also ensure that potential operational risks are covered with sufficiently large economic capital (*ökonomisches Kapital*).

For both Citi entities in Frankfurt – CGMD and Citibank, N.A. New York, Frankfurt branch – the Bank generated a consolidated document that specifies how the MaRisk are implemented into guidelines applicable to both entities. The core features of these guidelines are the strategies of the business units indentified for these purposes and a risk tolerance analysis that is based thereon.

CGMD revised major sections of its **risk tolerance concept** in recent years. Whereas an all-encompassing approach had been selected in the past to calculate the required risk-covering economic capital (according to which, both local units – CGMD and Citibank, N.A. New York, Frankfurt branch – were viewed as consolidated), the focus now is on the dedicated business strategy of CGMD.

As a consequence of this change, the stand-alone economic capital of CGMD Frankfurt is used as a basis for calculating that entity's risk profile, which is derived from the key risk categories of operational risk, market risk, liquidity risk and credit risk. Other important influencing factors (pension fund risk, concentration risk and CGMD holdings) were also included in the risk capital calculation.

New requirements, such as the need to factor in risk concentrations and to stress-test risk positions (market risk and credit risk), were reasonably integrated into the risk tolerance concept.

We are convinced that the Bank has launched a risk management system which is consistent with industry standards and which meets the requirements of MaRisk. The Bank is currently in the process of implementing the requirements, which are applicable to it and are set forth in the BaFin letter, "Regulatory Assessment of Internal Risk Tolerance Concepts for Banks" dated 7 December 2011.

The following table shows the development of the economic capital of CGMD Frankfurt for the period of April through November 2011 (shown in USD millions):

	Credit Risk	Market Risk	Operational Risk	Equity Risk	Pension Fund Risk	Concentr. Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend*
Apr-11	67.6	87.1	50.1	1.1	43	16.2	265.1	716.2	451.1	
May-11	54.3	93.5	48.5	1.1	43	16.2	256.6	691.9	435.3	stable
Jun-11	56.7	93.5	48.8	1.1	45	16.2	261.3	685.5	427.2	stable
Jul-11	53.9	92.5	48.1	1.1	45	16.2	256.8	695.6	438.8	stable
Aug-11	55.6	64.6	48.7	1.1	45	16.2	231.2	710.4	479.5	stable
Sep-11	90.8	49.7	45.5	1.1	47	16.2	250.3	656	405.7	down
Oct-11	69.3	33.7	47.2	1.1	47	16.2	214.5	636.9	422.4	stable
Nov-11	76.9	32.5	45.3	1.1	47	16.2	222.0	658.5	439.5	stable

In April 2011, the Bank modified its risk tolerance concept, changing it from a liquidation approach to a so-called “going concern” approach. Since this makes it impossible to draw a comparison between the risk capital figures from the first quarter and those figures calculated beginning April 2011, the key figures for the months December 2010 – March 2011 were not included in this year’s management report.

Overview

The organizational structure of the risk management processes is set forth in detail in the “Institutional Client Group (“ICG”) Risk Management Manual”, which is applicable worldwide. CGMD AG Frankfurt follows this manual and has used it as a basis for implementing its own independent risk tolerance concept.

From a risk perspective, the most important types of trading business offered by CGMD are:

- warrants
- issuance of investment certificates / notes
- money market transactions with credit institutions
- purchase and sale of fixed-interest securities to ensure liquidity
- interest-rate swaps & interest-rate futures, predominantly to hedge interest rate exposures
- securities borrowing

In addition, CGMD is also involved in traditional lending transactions with top institutional borrowers.

The different types of risks inherent in these products are included in the risk management system as follows.

Market Risk

The market risk management of CGMD is divided into three main segments, which are responsible for currency risks, interest risks and other price risks, respectively.

In order to assess the risk position in Trading and 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 are assessed using Citigroup’s globally recognized pricing models. The market parameters used in this process are imported automatically into the valuation systems or are recorded manually by the traders. In the event of the latter, the market parameters are thoroughly checked by the back-office which then compares 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 results are reconciled with Trading and provided to the divisional heads and senior management on a daily basis.

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

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

"Value at risk" is calculated using a Monte Carlo simulation, which Citi carries out centrally from New York for all trading activities and which is based on uniform valuation criteria. The volatilities of the individual market factors and their correlations that are used in the calculation are determined empirically each quarter. If required, they may also be adjusted between these periods.

In addition, extreme market changes are simulated through trading-independent stress tests that are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

In line with the risk quantification model, the Bank has defined limit structures and so-called "Management Action Triggers" for the individual trading books and for its Treasury.

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

Credit Risk

CGMD continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions as well as the issuer risks are being observed. Monitoring is performed per product ("traded product" or "non-traded product") and is carried out by a department that operates independently from Trading. The Bank differentiates these counterparty 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 a 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. 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 competent individuals are informed promptly.

Liquidity Risk

Liquidity risk is managed by the Treasury Division. The controls are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. Risk Controlling monitors compliance with the limits on a daily basis. It keeps senior management informed of the Bank’s liquidity situation in a timely manner. In order to comply with the Minimum Requirements for Risk Management (MaRisk), a liquidity reserve was formed in order to absorb potential distortions on the capital markets and the liquidity shortages resulting therefrom.

Operational Risks

Operational risks are defined by CGMD as all risks which do not qualify as market, credit or liquidity risks. These include:

- **Clearing (Processing) risk**
  The risk of processing business transactions incorrectly or carrying out transactions that do not comply with the intention and the expectation of the Bank’s senior management.
- **Information risk**
  The risk that information that was prepared, received, conveyed or stored internally or outside of the Bank can no longer be accessed. Furthermore, this information may be of poor quality, handled incorrectly or misappropriated. Risks resulting from the use of information processing systems themselves are also classified as information risks.
- **Reputation risk**
  The risk that insufficient services or incorrect execution of business transactions will damage the relationship between the Bank and its clients. It also includes the risk that the Bank will enter into business relationships with counterparties whose business practices do not meet our standards or best practices.
- **Personnel risk**
  Due to its specific product concentration, the Bank has a strong need for qualified and trained professionals and managers. Thus, it runs the risk of high employee turnover or the risk of being unable to attract and retain sufficiently qualified staff. In addition, it runs the risk that employees of the firm deliberately or negligently breach pre-defined rules or do not comply with the best practices of the Bank.
- **Legal and Regulatory Risks**
  We define all risks resulting from binding contracts and legislation as legal risks. Regulatory risks result from the regulations that are applicable to the Bank

The responsibility for the management of operational risks lies below Executive Board level, namely with the Bank’s department heads. These persons are responsible for creating, documenting and regularly updating all work directives and control procedures. The supervision of the operational risk and the reporting thereof are the responsibility of the Country Risk Senior Manager. For this purpose, a full and comprehensive risk analysis of all potential operational risks was performed during the most recently completed year.

The roles and responsibilities, as well as the documentation are defined in accordance with the applicable Citi Policies. These responsibilities are supported by an internal control system. An integrated reporting system ensures that emerging risks are reported in a timely manner to the control functions.

Operational risk is further minimized by Bank's Internal Audit Division, which reviews the adequacy of, and the compliance with, the defined standards and procedures and which highlights potential weaknesses in the workflow organization. In addition, the employees responsible for the processes oversee self-assessment procedures: processes, controls and management information statistics are critically reviewed in a self-assessment exercise performed during the course of the year.

Optimizing the information technology plays a crucial role in reducing operational risks. In order to compete efficiently in a global, information-driven market, the Bank needs global electronic systems and databases which ensure that reliable data can be accessed quickly and as often as necessary.

Personnel risks, which arise from the need for qualified employees, from employee turnover and from employee training, are managed jointly by the Human Resources Department and the department in question. Personnel development and training programs are offered to all employees. Through an individual employee development plan that is agreed between the employee and his/her manager, both the employee and the Human Resources Department gain an overview of the individual training planned for the upcoming year. These programs ensure that employees keep developing their skills and abilities. The Bank thereby pursues its goal of minimizing employee turnover and the ensuing personnel risk.

The Bank employs traditional recruiting methods and makes extensive use of the services provided by recruiting agencies and the Internet.

The Compliance Department is responsible for monitoring whether the internal rules and standards for employee conduct and the employee guidelines are being observed. In addition, the Compliance Department regularly trains our employees on money laundering issues.

The Legal Department is responsible for recognizing legal risks and limiting them in co-operation with other units of the Group. Where required, outside advisors are retained for specific issues. As far as possible, standard master agreements are concluded. The Legal Department is responsible for reviewing and monitoring all contracts. In addition, it advises all other departments of the Bank on legal issues and keeps them informed of important changes in the law.

Risk Quantification

The following graphical depictions provide an overview of the Bank's main risk parameters.

The diagram below provides an overview of the development of the value at risk during fiscal year 2011:

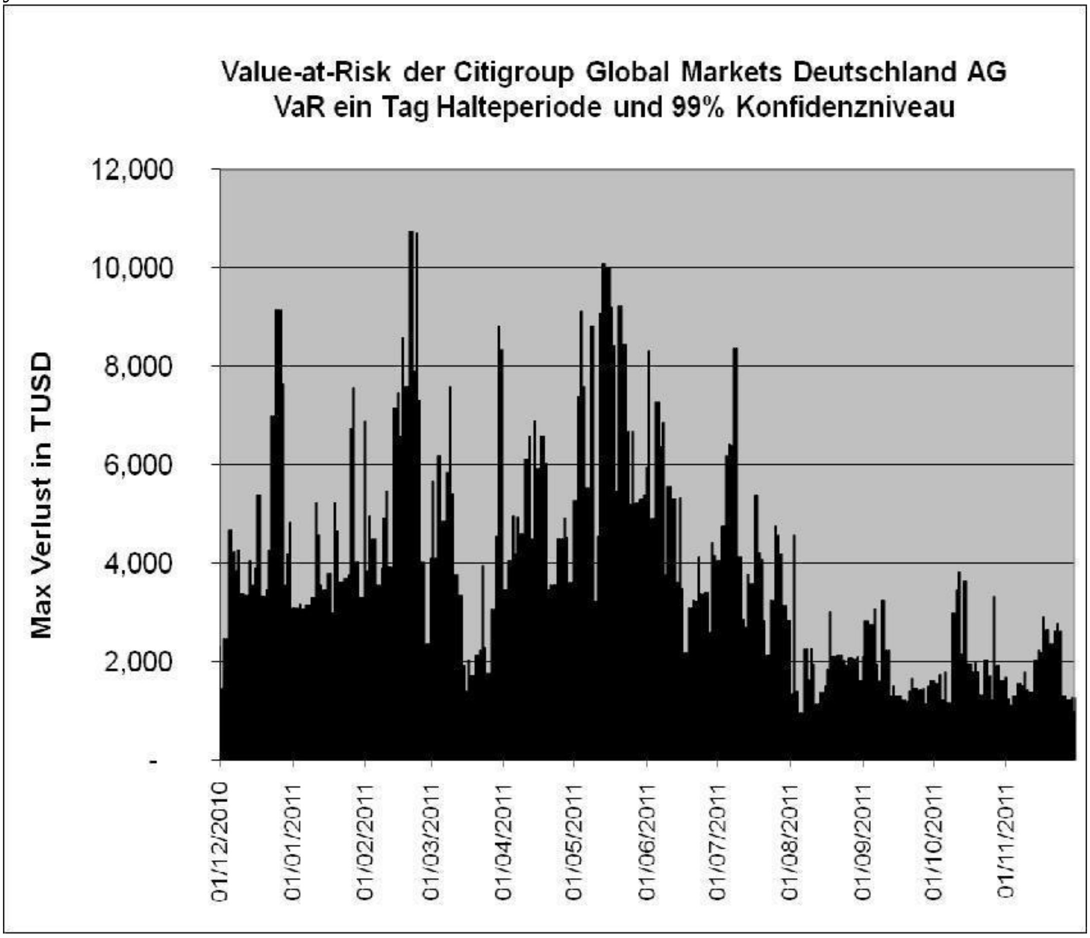
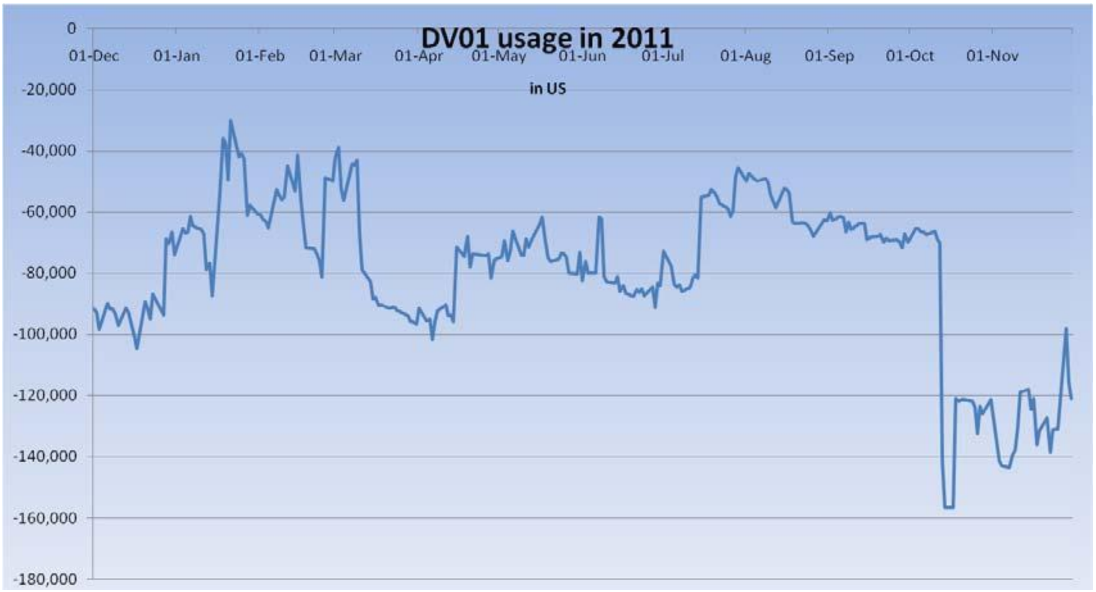


Chart Title: "Value at Risk of Citigroup Global Markets Deutschland AG / VaR One-Day Holding Period and 99% Confidence Level" [*the chart shows the maximum losses in USD'000 over calendar year 2011*

Due to the massive distortions that materialized on the global financial markets in August of 2011, the Bank significantly reduced the market price risks that originated from the Equity Warrants Division. A modified hedging strategy resulted in lowering the value at risk to a relatively low level in the last third of the year 2011.

The following diagram charts the interest risk for the Bank’s non-trading book in fiscal year 2011 in USD:



Significant Features of the Internal Control System with respect to the Accounting

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

In the second quarter of 2010, CGMD launched the ERECON system. It is a globally used system for monitoring and reporting balance sheet accounts and account balances (net exposures). 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 monthly results of this process are discussed during monthly Balance Sheet Validation Committee meetings. The persons participating in these meetings are the Executive Board members responsible for accounting and settlement, employees of the O&T Risk and Control Unit, the Financial Control Department and Internal Auditing.

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

The Supervisory Board is collectively responsible for discharging the control function of the accounting-based internal control systems and will be informed about such matters at the regular meeting.

The Bank has, in accordance with the Citi Group standard, implemented the "Risk and Control Self Assessment" (RCSA), which is consistent with the "Internal Control – integrated Framework" adopted by the "Committee of Sponsoring Organizations of the Readway Commission" (COSO). With the help of this system, Citi performs on a worldwide basis for each organizational unit at a procedural level the task of identifying the risks and implemented controls and then documents these "end-to-end" procedures. The implementation of the procedure is the responsibility of all processing staff members within CGMD and is generally carried out on a quarterly basis and at least once annually.

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

A system-wide neutral price control is performed each business day.

Furthermore, Citi operates under a Code of Ethics, which sets forth rules of conduct for the employees. This Code is reviewed again once each year in the form of an obligatory online training course which is taken by every employee. The Compliance Department is responsible for monitoring adherence to this training requirement.

The Internal Control Department in Frankfurt is responsible for monitoring authorizations to access the general ledger system. Book entries are carried out mostly on an automated basis through the relevant sub-systems of the Bank.

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

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

Development of Net Assets, Financial Condition and Results of Operation

As of November 30, 2011, the balance sheet total of CGMD declined from the previous year by EUR 274.2m to EUR 8,690.1m. The largest single balance sheet items were "Receivables from banks", which amounted to EUR 2,644.1m (2010: EUR 3,520.5m) and "Liabilities owed to banks", which amounted to EUR 1,524.1m (2010: EUR 2,441.8m), but also included - due to the first-time adoption of the accounting provisions under the BilMoG - the assets in the active trading portfolio, which totaled EUR 5,054.7m and which had been included under "Other assets" or "Stocks and other variable-yield securities" in the previous year. For the same reason, the Bank is reporting trading portfolio liabilities of EUR 5,031.7m, which had been reported under the items "Other liabilities" or "Securitized liabilities" in the previous year. The "Securitized liabilities" item, which amounts to EUR 75.5m (2010: EUR 729.2m), involves a US-denominated loan participation note that was issued in the form of a credit link note to hedge a certain USD-denominated receivable from a bank.

As of the balance sheet date, the Bank held in its portfolio debt securities, which were issued by government institutions and bonds and other fixed-interest securities, in the amount of EUR 535.8m (2010: EUR 536.5m).

The trading portfolio assets and liabilities result largely from the warrants business and include the traded products recognized at market value.

At CGMD, the derivatives business, which in the trading books is divided between currency risks and other price risks, is based on taking, hedging and unloading risks.

The Foreign Currency Risk Trading Book includes

- currency spot and forward transactions
- OTC currency options transactions, and
- currency warrants

The Other Price Risk Trading Book includes

- stocks and other variable-yield securities from the trading portfolio
- index bonds and equity discount certificates,
- stock and index options, and
- •forward transactions on equities and indexes.

As of November 30, 2011, the Company's equity capital (including the silent partnership contribution) equaled EUR 588.0m (2010: 588.0), and includes a silent partnership contribution of EUR 122.7m (2010: EUR 122.7m).

The liabilities based on guarantees and warranties rose to EUR 495.2m (2010: EUR 448.2m).

Irrevocable lines of credit totaled EUR 977.4m (2010: EUR 960.3m).

As a result of a general currency-congruent refinancing structure, exchange rate movements had only a marginal impact on the CGMD's earnings.

CGMD refinances itself comprehensively by borrowing funds from financial institutions and affiliated enterprises of Citi. Because the European liquidity management was centralized, CGMD was able to report high liquidity as of the balance sheet date. In the recently completed fiscal year, the CGMD was therefore able at all times to meet its current payment obligations and to comply with its duties to file its statutory liquidity reports.

In fiscal year 2011, CGMD reported a profit (before transferring it to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG) of EUR 98.5m (2010: EUR 55.0m).

Due to the fixed-income securities contained in the portfolio, the net interest income rose to EUR 29.0m (2009: EUR 10.8m).

Because of the changed reporting presentation for received dividends under the BilMoG (now included under net income of the trading portfolio), the current income from shares and equity investments declined to EUR 0.1m (2010: EUR 8.8m).

Commission income rose by EUR 14.3m to EUR 150.8m (2010: EUR 136.5m). Commission income consists predominantly of transfer pricing revenue from broker transactions with affiliated companies. This relates to brokering products from the Fixed Income and Fixed Income Derivatives Division and from the Equity and Equity Derivatives Division. This item also includes commissions from securities transactions and Eurex products.

In the recently completed fiscal year, the Bank was able to book net income from the trading portfolio in the amount of EUR 59.5m (2010: EUR 45.9m), which is attributable to dividends received and transactions with warrants and certificates. The conditions on the international financial markets and the related price swings had a favorable impact on income in the recently completed fiscal year.

Personnel expenses decreased by EUR 3.7m to EUR 64.8m (2010: EUR 68.5m) due to lower expenses for equity-based compensation forms.

Other administrative expenses fell by EUR 1.1m to EUR 72.1m (2010: EUR 73.2m).

The profits transferred under profit transfer or partial profit transfer agreements are attributable to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG (in the amount of EUR 63.8m) and to the silent partners (in the amount of EUR 34.7m).

Supplementary Report (*Nachtragsbericht*)

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

Key Financial Performance Indicators

The table below provides a comparison of certain noteworthy financial statistics between the prior fiscal year (fiscal year 2010) and fiscal year 2011 and thereby reveals the business development of Citigroup Global Markets Deutschland AG:

	Nov 30, 2011	2010		Change
	EUR m	EUR m	EUR m	%
Balance sheet total	8,690	8,964	-274	-3.1
Business volume	10,163	10,373	210	-2.0
Equity capital	588	588	0	0
Loan volume	5,512	6,714	-1,202	-17.9
Number of employees	361	348		

	Dec 1, 2010 – Nov 30, 2011	2010		Change
	EUR m	EUR m	EUR m	%
Interest income from operations	29	11	18	167.4
Commissions from brokerage business	96	89	7	7.4
Commissions from securities business	22	17	5	26.1
Net income from financial trading operations	60	46	14	29.6
General administrative expenses	137	142	-5	-3.3

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

	Nov 30, 2011	Prior Year	Change
	EUR m	EUR m	EUR m
Subscribed capital			
Share capital	210.6	210.6	-
Silent partner capital	122.7	122.7	-
Capital reserves	193.8	193.8	-
Legal reserves	33.0	33.0	-
Other earnings reserves	27.9	27.9	-

In addition, as part of incorporating the new rules under the BilMoG pursuant to § 340g of the German Commercial Code (HGB), a new separate item was created ("Fund for general banking risks" [*Fonds für allgemeine Bankrisiken*]) in the amount of EUR 6.6m.

The regulatory capital under BIZ consists of core capital and supplemental capital (subordinated liabilities) after approval as follows:

	30.11.2011	2010
	EUR m	EUR m
Equity capital on balance sheet	588.0	588.0
Less		
Intangible assets	-0.3	-1.2
Core capital	587.7	586.8
Supplementary capital	0.0	0.0
Equity capital	587.7	586.8
Capital ratios		
Tier one capital in %	29.0	26.7
Total capital ratio in %	29.0	26.7

Despite the growing debt crisis in the Eurozone and the concomitant volatility on the international financial markets, CGMD was once again able to earn a profit in the recently completed fiscal year.

Outlook

Germany's gross domestic product (GDP) grew by 2.9%, which was 0.3 percentage points higher than what CGMD had projected in last year's management report (GDP growth of 2.6%). The inflation rate increase was higher than the Bank expected and was stated at 2.3% in the Autumn Report (*Herbstgutachten*). However, the increase could be attributed primarily to rising commodity, energy and food prices.

The Eurozone is likely to endure a new recession inasmuch as the gross domestic product shrank in the fourth quarter of 2011 and will probably continue shrinking in 2012 and 2013. The Bank expects a decline in real GNP of 1.2% in 2012.

The global economy should also cool down in 2012, but there will be significant differences between the various regions. Based on GDP growth of 4.2% in 2010 and 3.0% in 2011, the Bank is projecting global GDP growth to decline to 2.5% for 2012, but expects a slight recovery in 2013 as growth climbs to 3.1%. The Bank is projecting the highest regional growth rates for the emerging markets of Asia, Latin America, Africa and the Mid East at 5.1% in 2012 and 6.0% in 2013.

In the Warrants and Certificates Division, the Bank is anticipating a difficult market environment, but is nevertheless expecting a profit for 2012.

For 2012, the Bank is not expecting any significant improvement in the volume of global or German capital market transactions in light of the difficult market environment.

CGMD's Global Transaction Service Division believes that it is well positioned again in 2012 based on targeted system developments and investments.

Risks and Opportunities of Future Developments

As the sovereign debt crisis continues, the Bank is anticipating the economic situation to remain tense in 2012. The Bank believes the most likely scenario is that the crisis will escalate, forcing the ECB and the creditor nations to take drastic measures in order to prevent the disintegration of the European Monetary Union and avoid a series of secondary payment risks. This forecast is subject, however, to a major caveat: the ECB and the creditor nations must publicly and in a timely manner state their willingness to take additional extraordinary and massive remedial action. Such statements are intended to forestall any additional increases in differences between the yield spreads on various government bonds. The Bank believes, however, that a very fundamental prerequisite here is economic growth. To this end, structural reforms must be implemented quickly because their favorable impact will take at least five years to kick-in. Until that time, efforts must be made to offset the painful fiscal tightening with supportive financing conditions.

If the sovereign debt crisis in the Eurozone is resolved without any country exiting the Monetary Union, then the Bank sees an opportunity to participate in the favorable development of the recovering financial markets. If the European countries are unable to prevent debtor countries from exiting the EMU, then the Bank assumes that there will be an adverse effect on the financial markets and an accompanying decline in revenues in the areas of capital markets and of warrants and derivatives.

Given the forecasts made by the individual business divisions and a restrictive cost management approach, the Bank is expecting profits in fiscal years 2012 and 2013, but they will be lower than the profits earned in fiscal year 2011 due to the overall economic uncertainty.

CGMD’s integration in the worldwide network of Citi companies will continue to benefit it. In fiscal year 2012, one main focus of the Bank will be to reduce the general cost base. In light of the background and forecasts explained above, CGMD is looking forward to earning a profit in the coming year and in 2013, but expects the amount of that profit to be less than what was earned in 2011.

Annual Balance Sheet as of November 30, 2011

Citigroup Global Markets Deutschland AG, Frankfurt am Main

A s s e t s

	EUR	EUR	EUR	11/30/2010 TEUR
1. Cash reserve				
a) Petty cash		8.253,90		1
b) Credit balances held at central banks		6.725.279,54		7.341
of which: at the German *Bundesbank* (German Central Bank) EUR 6.725.279,54 (11/30/2010 TEUR 7.341)				
c) Credit balances held at post giro offices		-,--	6.733.533,44	0
2. Receivables from banks				
a) Due upon demand		2.071.643.423,40		1.420.324
b) Other receivables		572.429.689,34	2.644.073.112,74	2.100.140
3. Receivables from clients			411.369.559,95	379.516
of which: secured by mortgages and other real property security interests EUR -,-- (11/30/2010 TEUR -)				
Municipal loans EUR -,-- (11/30/2010 TEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-,--			-
ab) issued by others	-,--	-,--		-
b) Bonds and debt securities				
ba) issued by government institutions	535.840.901,60			
of which: eligible as collateral with the German Bundesbank EUR 535.840.901,60 (11/30/2010 TEUR 536.501)				
bb) issued by others	-,--	535.840.901,60		
of which: eligible as collateral with the German Bundesbank EUR -,-- (11/30/2010 TEUR -)				
c) Bank's own debt securities		-,--	535.840.901,60	536.501
Face value EUR -,-- (11/30/2010 TEUR -)				

5.	**Equities and other variable-yield securities**					0,00	874.777
5a	**Trading portfolio**					5.054.720.250,32	-
6.	**Equity investments**					679.013,92	679
	of which: in banks	EUR	217.842,30 (11/30/2010 TEUR	218)			
	in financial services institutions	EUR	-,-- (11/30/2010 TEUR	-)			
7.	**Intangible assets**						
	a) Internally generated industrial property rights and similar rights and assets				-,--		-
	b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets				325.014,46		1.177
	c) Goodwill				-,--		-
	d) Prepayments				-,--	325.014,46	-
8.	**Tangible assets**					2.761.078,70	2.921
9.	**Other assets**					32.875.909,41	3.639.922
10.	**Prepaid and deferred items**					698.746,51	1.015
Total Assets						8.690.077.121,05	8.964.314

		EUR	EUR	EUR	11/30/2010 TEUR
					Liabilities and Equity Capital
1. Liabilities owed to banks					
a) Payable on demand			1.503.624.962,65		1.574.998
b) Having an agreed term or notice period			20.505.577,60	1.524.130.540,25	866.817
2. Liabilities owed to clients					
a) Savings deposits					
aa) having an agreed notice period of three months		-,--			-
ab) having an agreed notice period of more than three months		-,--	-,--		-
b) Other liabilities					
ba) payable on demand		1.037.786.334,77			1.016.699
bb) having an agreed term or notice period		262.671.311,64	1.300.457.646,41	1.300.457.846,41	229.193
3. Securitized liabilities					
a) Debt securities issued					
b) Other securitized liabilities		75.517.339,90			77.958
of which:					
Money market paper	EUR -,-- (11/30/2010 TEUR -)				
Own acceptance and promissory notes outstanding	EUR -,-- (11/30/2010 TEUR -)				
c) Miscellaneous securities liabilities			75.517.339,90	75.517.339,90	651.217
3a Trading portfolio				5.031.667.640,36	-
4. Other liabilities				104.584.416,57	3.746.693

5.	**Deferred items**			260.915,69	268
6.	**Accrued liabilities**				
a)	Pension and similar obligations		5.289.482,91		143.620
b)	Tax accruals		-,--		
c)	Other accrued liabilities		53.586.889,86	58.876.372,77	68.882
7.	**Funds for general bank risks as defined in § 340e (4) of the German Commercial Code**			6.612.564,02	-
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	193.745.810,73	193.745.810,73		193.746
c)	Earnings reserve				
	ca) legal reserve	33.027.197,15			33.027
	cb) reserve for treasury shares	-,--			0
	cc) reserves required by articles of association	-,--			0
	cd) other earnings reserves	27.916.536,71	60.943.733,86		27.916
d)	Unappropriated earnings/loss (balance sheet profit/loss)			587.969.485,08	-
	Total Liabilities and Equity Capital			8.690.077.121,05	8.964.314

		EUR	EUR	11/30/2010 TEUR
1.	**Contingent liabilities**			
a)	Contingent liabilities from credited but uncleared bills of exchange	-,--		-
b)	Contingent liabilities from guarantees and warranty commitments	495.232.114,27		448.220
c)	Contingent liabilities from security provided on behalf of third parties	-,--	495.232.114,27	-
2.	**Other obligations**			
a)	Commitment under fictitious repurchase (repo) agreements	-,--		-
b)	Placement and underwriting commitments	-,--		-
c)	Irrevocable lines of credit previously granted	977.359.060,48	977.359.060,48	960.294

Income Statement

for the Period of December 1, 2010 through November 30, 2011

Citigroup Global Markets Deutschland AG, Frankfurt am Main

	EUR	EUR	EUR	12/1/2009-11/31/2010 TEUR
1. Interest income from				
a) Loans and money market transactions	52.380.790,33			72.129
b) Fixed-income securities and debt registered claims	22.108.980,06	74.489.770,39		63
2. Interest expenses		45.511.836,61	28.977.933,78	61.356
3. Current income from				
a) Shares and other variable-yield securities		-, --		8.804
b) Equity investments		44.287,40		32
c) Interests in affiliated enterprises		-, --	44.287,40	
4. Commission income		150.781.999,11		136.498
5. Commission expenses		287.716,08	150.494.283,03	10.906
6. Net income from financial trading operations			59.513.076,13	45.928
included therein are deposits into special account per § 340g HGB EUR 6,612,564.02				
7. Other operating income			14.219.753,96	13.603
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	60.065.909,10			53.235
ab) social security contributions, pension and welfare expenses	4.713.449,34	64.779.358,44		15.258
of which: for pensions EUR 515.918,19 (12/1/2010-11/30/2011 TEUR 11,099)				
b) Other administrative expenses		72.046.978,69	136.826.337,13	73.199
9. Depreciation, amortization and write-down of tangible and intangible assets			2.002.406,72	3.380
10. Other operating expenses			10.224.756,04	36
11. Write-downs of, and provisions for, receivables and certain securities and additions to loan reserves		12.407.146,64		4.756
12. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves		100.530,28	12.306.616,36	-

13. Income from the reversal of write-downs of equity investments, interests in affiliated enterprises and long-term securities		-,--	65
14. Results from ordinary operations		91.889.218,05	54.996
15. Extraordinary income		36.198.929,56	-
16. Extraordinary expenses		29.954.583,00	-
17. Extraordinary result		6.244.346,56	-
18. Taxes on income and earnings (eanings; prior year expense)	333.495,41		58
19. Other taxes, to the extent not included under item 10	-,--	333.495,41	-
20. Income from loss transfers		-, --	-
21. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		98.467.060,02	54.938
22. Annual net income		-	-
23. Profit carried forward/loss carried forward from prior year		-, -- #	-
		-, --	-
24. Transfers from capital reserves		-, --	-
		-, --	-
25. Transfers from earnings reserves			
a) From legal reserve	-, --		-
b) From reserve for treasury shares	-, --		-
c) From reserves required by the Bank's articles of association	-, --		-
d) From earnings reserves	-, --	-, --	-
		-, --	-
26. Transfers from capital with participation rights		-, --	-
		-, --	-
27. Transfers to earnings reserve			
a) To legal reserve	-, --		-
b) To reserve for treasury shares	-, --		-
c) To reserve required by the Bank's articles of association	-, --		-
d) To other earnings reserve	-, --	-, --	-
		-, --	-
28. Replenishment capital with participation rights		-, --	-
29. Unappropriated earnings (balance sheet profit)		-, --	-

Citigroup Global Markets Deutschland AG
Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2011

Citigroup Global Markets Deutschland AG ("CGMD") is a German stock corporation with its registered offices in Frankfurt am Main, Germany. Since June 10, 2010, CGMD 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 Citigroup Global Markets Deutschland AG is TEUR 210,570. This capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main.

1. Accounting and Valuation Methods

The annual financial statements for fiscal year 2011 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.

For the initial preparation of the annual financial statements in accordance with the German Accounting Modernization Act (BilMoG) of May 25, 2009, the prior year comparison figures within the meaning of Art. 67 (8) sentence 2 of the Introductory Law to the German Commercial Code (EGHGB) were not adjusted.

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.

Financial instruments in the trading portfolio are recognized at fair value less a risk discount in accordance with § 340e (3) HGB.

For financial instruments traded on the open stock markets, the quoted market price is generally used for valuation. Financial instruments, which have no liquid trading on the stock markets, are valued using recognized models and methods. In general, these methods are based on estimates of future cash flow while taking into account any risk factors. The most important factors are the underlying price, implicit volatilities, yield curves and dividend forecasts.

The risk discount on the Foreign Currency Risk Trading Book as of November 30, 2011 equaled TEUR 210, and the risk discount for the Other Price Risks Trading Book equaled TEUR 2,494. The underlying value at risk number 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 603, 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.

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 in combination with § 340 h HGB.

Bonds and **debt securities** are stated at the lower of cost or market value. These bonds and debt securities are those held as liquidity reserve.

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.

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

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

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

In connection with hedging the interest rate risk, the Bank under § 254 HGB recognized on its accounts a hedge relationship between a total of 10 ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness or *Schuldschein*) in a face value totaling TEUR 68,000. Based on a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,951 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. The measurement of respective hedge effectiveness was carried out using the critical term match method.

In connection with hedging the counterparty risk, an additional hedging relationship was recognized under § 254 HGB between the loan participation note booked as a securitized liability and the receivable which was hedged thereby. Here again, the measurement of respective hedge effectiveness was carried out 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 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.

Effective as of November 30, 2011, Citigroup Global Markets Deutschland AG entered into agreements with Citibank N.A. in New York, Frankfurt Affiliate (CNA), Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG (CKG), Frankfurt, Citicorp

Operations Consulting GmbH (COC), Meerbusch, and Citi Verwaltungsgesellschaft mbH i. L. (CID), Frankfurt, for the assumption of debt relating to the obligations to pay out benefits under the company pension plan. Under these agreements, CGMD is assuming direct liability for the immediate pension obligations of CNA, CKG, COC and CID. As a consequence, provisions for reserves must be set up at CGMD to cover the pension claims resulting from these agreements. As consideration for CGMD's agreement to assume the debt, CNA, CKG, COC and CID are obligated to transfer to CGMD funds in the amount of the obligations under the pension commitments as they exist as of the record date. Most of these funds consist of claims under the plan assets [*Deckungsvermögen*].

The simplification rules under § 253 (2) sentence 2 HGB were used with respect to the pension provisions. In order to calculate the present cash value, the average market interest rate over the last 15 years based on the Bundesbank discount rates and totaling 5.13% was used as the actuarial interest rate. Future salary and wage increases were estimated at 2.75%, and at the same time, a 2.0% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables.

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

At the time the new commercial law accounting rules under BilMoG were first applied as of December 1, 2010, the fair value of the assets to be netted equaled TEUR 118,722.5 compared to the previously recognized historical cost of TEUR 93,343.0. The full amount of the valuation difference was reported under the separate line item "extraordinary income" pursuant to Art. 67 (7).

The full amount of the difference from the pension obligations as defined under sentence one of Art. 67 (1) sentence 1 EGHGB in the amount of TEUR 25,440.9 was recognized as an "extraordinary expense" in the fiscal year. In calculating the fair value of the plan assets, the Bank also includes, as a correction in the current account, the current account of the Pension Fund e.V. as of the first adoption of the BilMoG. As of November 30, 2010, the company recognized the ensuing credit as EUR 4.5 million in earnings and booked it under "extraordinary income".

In the current fiscal year, an expense arose from discounting the pension obligations in the amount of TEUR 5,997.3, and the change of the fair value of the plan assets also resulted in a recognized expense of TEUR 3,787.7.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 129,446.7, which same amount was netted against the settlement amount of the pension obligations that equaled TEUR 133,958.0. The settlement amount exceeding the plan assets as of the balance sheet date and totaling TEUR 4,511.3 was reported under the item “pensions and similar obligations”.

The change in the plan assets and the value of the obligation by virtue of the debt assumption equals TEUR 14,511.9, of which TEUR 6,806.5 is attributable to CAN, TEUR 1,546.3 to CKG, TEUR 5,692.5 to COC and TEUR 466.6 to CID.

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.
At the time the new commercial law accounting rules under BilMoG were first applied as of December 1, 2010, the historical costs of the assets to be netted equaled TEUR 15,288.6 compared to the fair value of TEUR 17,813.8. On the balance sheet date, the fair value of the assets to be netted totaled TEUR 17,307.3. The settlement amount of the liabilities to be netted equaled TEUR 17,813.8 as of December 1, 2010 and equaled TEUR 17,307.3 on the balance sheet date.

The change in the plan assets and in the value of the obligation under Deferred Compensation due to the debt assumption agreement totals TEUR 274.7 and relates to the COC transfer to CGMD.

In connection with hedging the obligations under the bonus conversion, the Bank purchased units in the **PRS** fund and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

At the time the new commercial law accounting rules under BilMoG were first applied as of December 1, 2010, the fair value of the assets to be netted equaled TEUR 42,669.1, compared to the previously recognized historical cost for the **PRS** fund in the amount of TEUR 40,904.0.

Pursuant to Art. 67 (7) EGHGB, the valuation difference was reported separately under the item “extraordinary income”. The full amount of the difference from the pension obligations within the meaning of Art. 67 (1) sentence 1 EGHGB and totaling TEUR 1,764.3 was booked as an “extraordinary expense” in the fiscal year.

In the current year, the discounting of the pension obligations generated an expense totaling TEUR 2,262.2. The change in the fair value of the plan assets resulted in income totaling TEUR 671.4. Current income in the amount of TEUR 1,489.9 was also generated. These result components are netted and reported under other operating income.

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 44,223.6. The settlement amount of the pension obligations to be netted was TEUR 45,001.7 on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date was reported under the item “pensions and similar obligations”.

Accrued liabilities are created to cover liabilities, which existed on the balance sheet date but the precise amount of which was not known, and for any potential losses from open business transactions.
In accordance with the option available under Art. 67 (1) sentence 2 EGHGB, the option to discount accrued liabilities totaling TEUR 40.7 was waived.

The **amount, which is prohibited from payment as a dividend** under § 268 (8) sentence 3 HGB and which equals TEUR 28,078, resulted entirely from the capitalization of the plan assets at fair value.

Accruals have been made in the balance sheet for **contracts and pending legal disputes**, which could have an adverse affect on CGMD’s financial condition.

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

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

2. Notes on the Balance Sheet

a) Fixed asset movement schedule

	Original acquisition costs		Reversal of write-downs (cumulative write-ups)		Accumulated depreciation, amortization and write-downs		Book values	
	Nov. 30, 2010	Additions (Disposals)	Nov. 30, 2010	Additions	Nov. 30, 2010	Additions (Disposals) Transfer	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Intangible assets acquired for consideration	7,237	(1,455)	-	-	6,060	852 (1,455)	325	1,177
Office and plant equipment	20,950	766 (6,007)	-	-	19,775	724 (6,007)	1,217	1,176
Leasehold improvements	13,202	245 (18)	-	-	11,582	426 (16)	1,437	1,620
Construction in progress	126	1,128 (1,147)	-	-	-	-	107	126
Equity investments	679	-	-	-	-	-	679	679
Total	42,194	(6,488)	-	-	37,417	(5,476)	3,765	4,778

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

b) Assets based on terms to maturity

Receivables from banks	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
a) payable on demand	2,071,643	1,420,324
b) up to three months	479,780	1,978,621
c) more than three months and up to one year	15,000	40,371
d) more than one year and up to five years	75,793	78,201
e) more than five years	-	-
accrued interest	1,857	2,947
	2,644,073	3,520,464

Receivables from clients	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
a) up to three months	314,382	295,058
b) more than three months and up to one year	61,783	77,245
c) more than one year and up to five years	34,000	6,808
d) more than five years	-	-
accrued interest	1,204	405
	411,369	379,516

Liabilities owed to banks	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
a) payable on demand	1,503,625	1,574,998
b) up to three months	19,935	864,883
c) more than three months and up to one year	373	-
d) more than one year and up to five years	-	-
accrued interest	198	1,934
	1,524,131	2,441,815

Liabilities owed to clients	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
a) payable on demand	1,037,786	1,016,699
b) up to three months	167,566	91,792
c) more than three months and up to one year	5,200	37,121
d) more than one year and up to five years	44,023	49,023
e) more than five years	45,000	50,000
accrued interest	883	1,257
	1,300,458	1,245,892

Securitized liabilities	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
a) issued debt securities		
less than one year	-	-
more than one year and up to five years	74,527	76,935
more than five years	-	-
accrued interest	990	1,023
b) miscellaneous securitized liabilities		
less than one year	-	493,162
more than one year and up to five years	-	158,055
	75,517	729,175

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

	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
Receivables from banks	2,017,751	3,378,972
Receivables from clients	21,830	66,456
Other assets	9,299	6,610
Liabilities owed to banks	1,000,848	2,269,574
Liabilities owed to clients	237,909	217,001

d) Assets and liabilities denominated in foreign currencies

	Nov. 30, 2011	Nov. 30, 2010
	TEUR	TEUR
Assets	1,218,597	1,248,597
Liabilities	955,039	1,514,818

e) Cash flow statement pursuant to DRS No. 2-10

	2011 TEUR	2010 TEUR
Annual Net Income	**0**	**0**
Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets	-34,087	3,612
Changes in accruals	20,134	-3,724
Change in other non-cash expenses / income	18,802	98
Gain/loss from the sale of financial and tangible assets	2	27
Other adjustments (in net terms)	-46,670	-18,946
Subtotal:	**-41,819**	**-18,933**
Change in assets and liabilities from current operating activities:		
Receivables:		
- from banks	876,391	5,269,141
- from clients	-31,862	96,625
Securities (to the extent not financial investments)	-11,630	-720,509
Other assets from current operating activities	308,790	-858,118
Liabilities:		
- owed to banks	-917,684	-4,340,674
- owed to clients	54,565	-393,027
Securitized liabilities	11,476	105,316
Other liabilities from current operating activities	-295,844	831,214
Interest and dividend payments received	88,129	76,146
Interest paid	-41,792	-57,143
Income tax payments	333	-58
Cash flow from current operating activities	**-947**	**-10,020**
Payments received from the sale of		
- Financial assets	2,849	582
- Tangible assets	1,147	267
Payments made for investments in		
- Financial assets	-1,518	-1,539
- Tangible assets	-2,140	-640
Payments received from the sale of consolidated companies and other business units	0	0
Payments made for the purchase of consolidated companies and other business units	0	0
Change in cash resources based on investing activities (in net terms)	0	0
Cash flow from investing activities	**338**	**-1,330**
Payments received from contributions into equity capital (capital increases, sale of own shares, etc.)	0	0
Payments made to company owners:		
- Dividend payments	0	0
- Other outgoing payments	0	0
Changes in cash resources other capital (net)	0	7,916
Cash flow from financing activities	**0**	**7,916**
Cash and cash equivalents at the end of the previous period	**7,343**	**10,777**
Cash flow from current operating activities	-947	-10,020
Cash flow from investing activities	338	-1,330
Cash flow from financing activities	0	7,916
Cash and cash equivalents at the end of the period	**6,734**	**7,343**

f) Changes in equity capital

The Bank's equity capital has not changed since last year and consists of the following:

		Nov. 30, 2011/Nov. 30, 2010
		TEUR
a)	Subscribed capital	
	aa) registered share capital	210,570
	ab) silent partner capital	122,710
		333,280
b)	Capital reserve	193,745
c)	Earnings reserves	
	ca) legal reserve	33,027
	cd) other earnings reserves	27,917
		60,944
d)	Unappropriated earnings/loss (balance sheet profit/loss)	-
		587,969

g) Other notes

Of the equity investments, only TEUR 0.1 are publicly listed. Equity investments totaling TEUR 678.9 are not eligible for a stock market listing.

The asset shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 4,360,549, debt securities and other fixed-income securities in the amount of TEUR 588,081, and shares including, *inter alia*, variable yield securities in the amount of TEUR 106,090. Of the shares and other variable-yield securities, TEUR 106,090 is eligible for a stock market listing and are publicly listed.

Of the debt securities and other fixed-income securities, TEUR 535,841 is eligible for a stock market listing and are publicly listed.

The liability shown on the balance sheet, trading portfolio (line item 3a) is divided into derivative financial instruments in the amount of TEUR 4,377,056 and liabilities in the amount of TEUR 654,612.

The securitized liabilities include other securitized liabilities in the amount totaling EUR 75.5 million (2010: 78 million). This item contains debt securities, which are linked to loans made to clients (Credit Linked Notes).

The item entitled "other accrued liabilities" contains significant provisions for bonuses and early retirement obligations. The provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 29.5 million (2010: EUR 44.0 million).

An affiliated enterprise has contributed silent partner capital in the amount of EUR 122.7 million (2010: EUR 122.7 million). The silent partner's share of the profits in fiscal year 2011 was EUR 32.7 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 495.2 million (2010: EUR 448.2 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 977.4 million (2010: EUR 960.3 million), approximately EUR 761.0 million (2010: EUR 838.4 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.

h) Other contingent liabilities

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

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

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

Since the 4th quarter of 2009, the Bank has been participating in the credit filing system (*Krediteinreichungsverfahren*) of the German Central Bank (*Bundesbank*), pursuant to which the credit commitment on file serves as security for the cash funds received.

The Bank will also be liable under the debt assumption dated November 30, 2011 in connection with the benefits owed for the pension commitments; commensurate indemnity payments have been contractually promised by the contracting partners.

3. Notes on the Income Statement

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

Net interest income totaled EUR 29.0 million (2010: EUR 10.8 million).

Commission income was EUR 150.8 million (2010: EUR 136.5 million). This amount includes primarily brokerage commissions of EUR 96.3 million (2010: EUR 89.4 million) from affiliated enterprises, commissions on securities transactions, and Eurex products.

Commission expenses fell by EUR 10.6 million to EUR 0.3 million (2010: EUR 10.9 million). This decline can be attributed mostly to a decrease in intra-group cost sharing for relationship management of EUR 6.7 million. In the fiscal year, the brokerage fees, which related to the trading operations and totaled EUR 4.0 million, were reported under the item "net income of the trading portfolio" in accordance with BilMoG.

The net income of the trading portfolio consists primarily of gains or losses from the currency risk and other price risk trading books. The Bank also engages in hedging transactions with interest-rate futures, the gains or losses from which are likewise booked under "net income of the trading portfolio".

Under the item net income of the trading portfolio, an amount of TEUR 6,612.6 was removed pursuant to § 340e (4) HGB and added to the fund for general bank risks in accordance with § 340g HGB.

Other operating income was EUR 14.2 million (2010: EUR 13.6 million). The item includes income unrelated to the accounting period of EUR 0.5 million (2010: EUR 0.6 million).

Personnel expenses equaled EUR 64.8 million (2010: EUR 68.5 million).

Other administrative expenses totaled EUR 72.0 million (2010: EUR 73.2 million).

The increase in write-downs of and provisions for receivables is attributable to write-downs of fixed-income securities in the amount of EUR 12.3 million (2010: EUR 0.1 million).

The extraordinary result equaled EUR 6.2 million. Of the extraordinary income in the amount EUR 36.2 million, EUR 31.7 million is attributable to the extraordinary income arising from the first application of BilMoG. All extraordinary expenses in the amount of EUR 30.0 relate to extraordinary expenses incurred upon the first application of BilMoG.

At the time of the first application of the BilMoG, CGMD had included for the first time the current account for the Pensionsfund e.V. when calculating the fair value of the plan assets. The effect thereof as of November 30, 2010 gave rise to a credit of EUR 4.5 million, which the company reported on the income statement as extraordinary income. This amount consists primarily of the taxes refunded for the years 2006 through 2010 which totaled EUR 2.1 million and of funds which had been transferred by trustors but not yet invested in the amount of EUR 1.4 million.

In the fiscal year, the Bank booked earnings based on taxes on income and earnings from earlier years in the amount of EUR 0.3 million (2010: 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, was terminated. The expenses incurred for domestic taxes are still shown at the level of the tax group parent company (*Organträger*).

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt, in the amount of EUR 63.8 million and to the silent partner in the amount of EUR 34.7 million.

4. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2011 includes:

a) Annual audit services	EUR 676,000.00
b) Other consulting services	EUR 152,000.00
c) Tax advisory services	EUR 0.00
d) Miscellaneous serves	EUR 35,000.00
e) Total	EUR 863,000.00

5. Notes on Derivative Transactions

a) Types of derivative transactions

As of November 30, 2011, the Bank's derivative transactions included the following types of transactions:

aa) Trading transactions

- **aaa) Foreign currency risk trading book:** Foreign currency spot and forward transactions as well as OTC currency option transactions and currency warrants.
- **aab) Other price risks 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 indices, as well as index certificates and equity certificates.
- **aac) Other trading transactions:** exchange-traded interest futures and interest swap agreements.

b) Maturities of derivatives

The total volume of derivative transactions can be classified according to maturities per November 30, 2011, as follows:

ba) Foreign currency risk trading book

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC currency options					
Bought	122	-	-	122	1.0
Sold	41	-	-	41	./. 0.4
Currency warrants					
Own issues					
Bought	1,602	888	-	2,490	297.9
Sold	1,731	904	-	2,635	./. 302.1

The transactions are primarily in US Dollar (USD) and gold.

bb) Other price risks trading books

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC-traded stock options					
Bought	17	2	-	19	0.7
Sold	21	2	-	23	./. 0.9
Equity warrants					
Own issues					
Bought	5,990	1,773	-	7,763	767.2
Sold	7,595	2,167	-	9,762	./. 809.4
OTC-traded index options					
Bought	30	-	-	30	2.1
Sold	16	-	-	16	. /. 0.5
Third party index warrant issues					
Bought	15	-	-	15	1.5
Index warrants					
Own issues					
Bought	17,645	8,861	-	26,506	3,204.0
Sold	18,934	9,069	-	28,003	./. 3,241.2
Third party equity warrant issuers					
Bought	1	-	-	1	0.1
Exchange-traded index futures					
Bought	265	-	-	265	9.7
Sold	259	-	-	421	./. 9.7
Exchange-traded index futures precious metals					
Bought	28	-	-	28	0.4
Exchange-traded index options					
Bought	1,333	132	-	1,465	33.5
Sold	95	8	-	103	./. 3.3
Exchange-traded stock options					
Bought	1,301	278	-	1,579	41.8
Sold	108	8	-	116	./. 5.1
Index-linked debt securities and share discount certificates					
Own issues					
Bought	267	354	-	621	588.1
Sold	325	340	-	665	./. 654.6

bc) Other trading operations

	< 1 year Nominal amount	1-5 years Nominal amount	> 5 years Nominal amount	Total Nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded interest rate futures transactions					
Bought	18	-	-	18	0.1
Sold	31	-	-	31	./. 0.2
Interest-rate swap agreements					
Bought	75	5	31	111	13.9
Sold	75	5	31	111	./.13.9

c) Counterparty credit risk in derivatives trading

As of November 30, 2011, 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 private persons 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	66,796	32,614	-
Other trading transactions	20,742	4,682	-
Total	87,538	37,296	-

6. Miscellaneous notes

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

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

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

Maurice Thompson, London, Bank Director, Chairman, term expired April 14, 2011,
Fred B. Irwin, Frankfurt am Main, Bank Director, term expired September 30, 2011,
Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director, since January 1, 2011,
Dr. Nikolaus Närger, Stuttgart, Bank Director,
Samuel R. Riley, Bad Vilbel, Bank Director,
Christian Spieler, Bad Homburg, Bank Director,
Heinz Peter Srocke, Hanau, Bank Director,
Stefan Wintels, Frankfurt, Bank Director

The Supervisory Board consists of the following members:

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

During fiscal year 2011, the Bank employed an average of 351 persons. The average period of employment for staff members as of November 30, 2011 was as follows:

171	Employees	up to 5 years
86	Employees	6-10 years
54	Employees	11-20 years
50	Employees	21 years or more
361		

In fiscal year 2011, total remuneration to the Executive Board (including stock options granted) was TEUR 5,271.2. Pension obligations totaled approximately TEUR 1,041.7. In the reporting year, total remuneration of former members of management bodies and their survivors (including stock options exercised) totaled approximately TEUR 803.7. Accrued liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 10,673.2.

No remuneration was paid to the Supervisory Board members in fiscal year 2011.

In fiscal year 2011, the members of the advisory board (*Beirat*) were paid compensation totaling TEUR 387 by the Bank.

At year end, there were no outstanding loan obligations owed by members of the Executive Board of Citigroup Global Markets Deutschland AG.

In fiscal year 2011, Hans W. Reich was chairman of the supervisory board of Aareal Bank AG and was a member of the supervisory board of HUK Coburg Holding AG until July 2011.

Since 2011, Fred Irwin is no longer a member of the supervisory board of IFB AG. Mr. Irwin resigned from the supervisory board of Motorola GmbH effective December 31, 2010.

The subscribed capital of Citigroup Global Markets Deutschland AG & Co. KGaA consisted of registered share capital of EUR 210.6 million and a silent partner contribution of EUR 122.7 million. The registered share capital is divided into 8,236,778 no par value shares

Citigroup Global Markets Deutschland AG, February 28, 2012

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

Auditor's Report

We have audited the annual financial statements - comprising the balance sheet, the income statement 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, 2010 through November 30, 2011. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

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

Our audit has not led 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, März 13, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fox	Hell
Wirtschaftsprüfer	Wirtschaftsprüfer

SIGNATURES

Frankfurt am Main, 03 May 2013

Citigroup Global Markets Deutschland AG,
Frankfurt am Main

signed by Dirk Heß Director	signed by Steffen Thomas Vice President