Supplement No. 1

pursuant to Section 16 para. 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*)

dated 5 August 2016

to the

Registration Document

dated 6 April 2016

of

Citigroup Global Markets Deutschland AG,

Frankfurt am Main

(the "Issuer")

This supplement is drawn up in connection with the publication of the Issuer's semi annual financial information as of 31 May 2016 which was published on 29 July 2016 (the "**Semi-Annual-Report**").

The information contained in the Registration Document shall be supplemented as described in the following:

*1. In section "**14. Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses**" on page 23 of the Registration Document the subsection "**14.3 Significant change in the financial condition or trading position of the Issuer**" shall be deleted and replaced by the following subsections:*

"14.3 Interim Financial Information

The issuer is disclosing unaudited interim financial information on the first six months of the fiscal year 2016. The Balance Sheet as of 31 May 2016 and the Income Statement for the first six months of the fiscal year 2016 were prepared under the responsibility of the issuer according to German Accounting Standards. The unaudited interim financial statements of the issuer as of 31 May 2016 are included in this Registration Document in Annex III on pages H-1 through H-46. The information contained in section "3 Outlook and Opportunities" on pages H-9 and H-10 of the Half-Year Financial Report as of 31 May 2016 are not object of the Registration Document and, therefore, are blackened.

14.4 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 date of the last interim financial statements (31 May 2016)."

*2. The information in section "**18. Documents on display**" on page 23 of the Registration Document shall be deleted and replaced by the following information:*

"During the valid term of this Registration Document, copies of the following documents are available for inspection:
(a) the Issuer's articles of association;
(b) the audited annual financial statements of the Issuer for the fiscal years 2015 and 2014;
(c) the unaudited interim financial statements of the Issuer as of 31 May 2016.

A hard copy of the documents (a) to (c) 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."

*3. The pages H-1 through H-46 contained in the Appendix to this Supplement are added as "**Annex III: Interim Management Report for the Half-Year Financial Report as of 31 May 2016**" after page G-68 of the Registration Document.*

The Supplement and the Registration Document are available free of charge at the offices of Citigroup Global Markets Deutschland AG, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main and furthermore are available on the website of the issuer at www.citifirst.com by clicking on the link "Legal Documents" under the rider "Products".

Pursuant to Section 16 para. 3 of the German Securities Prospectus Act, investors who have already agreed to purchase or subscribe for securities before this Supplement has been published shall have the right, exercisable within a time period of two working days (or such longer period as may be required by a relevant jurisdiction) after the publication of this Supplement, to withdraw their acceptances, provided that the new factor, mistake or inaccuracy arose before the final closing of the offer to the public and the delivery of the securities.

Addressee of a withdrawal is Citigroup Global Markets Deutschland AG, Attn. Legal Department, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main. The timely dispatch of the withdrawal is sufficient to comply with the deadline.

Appendix

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ANNEX III: INTERIM MANAGEMENT REPORT FOR THE HALF-YEAR FINANCIAL REPORT AS OF 31 MAY 2016

Interim Balance Sheet as of 31 May 2016 Page H-26

Income Statement for the Period of 1 December 2015 through 31 May 2016 Page H-30

Notes to the Half-Year Financial Report as of 31 May 2016 Page H-32

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Citigroup Global Markets Deutschland AG

Interim Management Report for the Half-Year Financial Report as of May 2016

1 Background Information about CGMD

1.1 Business model

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

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

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

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

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

1.2 Goals and strategies

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

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

In 2015[1], the following targets were established with regard to the female quota for positions down to the second management level below the Executive Board: 23% (by the end of the 3rd quarter of 2015), 26% (by the middle of 2017) and 30% (by the end of the 3rd quarter of 2020).

In order to achieve these objectives, the following strategies will continue to be pursued over the remaining six months in the business divisions:

1.2.1 Markets & Securities Services

Once again in the second half of 2016, the MSS Business Division is planning to harvest its existing strengths and expand specific business and customer segments in order to provide services to its clients in a better and more efficient form. The goal of the MSS Business Division is to assume a leading role in each individual business segment and to position Citigroup as a leading international bank in that respective market segment.

Given the lack of earnings potential tied to the massive competition in Europe's largest economy, many competitors are actively retreating from capital intensive businesses. The goal is to exploit the opportunities arising from this trend in order to gain potential market share in those areas.

Furthermore, the division is endeavoring to leverage Citigroup's global reach and the product & market opportunities arising therefrom with its clients in an effort to better realize business potential ("Globally brought Locally"). Another declared goal is to selectively acquire new customers in individual MSS Business Divisions.

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

1.2.2 Corporate & Investment Banking

Given the great influence of episodic transactions such as M&A transactions, the CIB Business Division will remain highly dependent in the remaining six months of fiscal year 2016 on the general economy and the capital market environment. Thus, revenue development is rather cyclical.

The goal of the CIB Business Division is to further expand its position in the market as one of the first go-to partners for addressing strategic corporate finance issues such as acquisitions and capital market financing, as well as for the operational management of financial flows. Unlike other market participants, CIB offers its institutional clients a broad spectrum of advisory and financial services and thereby benefits from Citigroup's global presence. In 2016, the goal is to capture additional clients and market segments on a selective basis.

1.2.3 Treasury & Trade Solutions

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

The Bank is thereby holding to the goals and strategies defined in the management report of the annual financial statements for the second half of fiscal year 2016.

1.3 Important business policy events

In the first six months of the fiscal year, there have been no changes on the Executive Board and the Supervisory Board of CGMD. Other changes were not undertaken.

2 Economic Report

2.1 Overview of CGMD business performance

The business performance at CGMD in the first half of fiscal year 2016 was for the most satisfactory, but to date has lagged behind the goals set in the 2015 management report.

One favorable development in this regard is that commission income in the first half of 2016 was at the same level of the prior year, which may be attributed to consistently stable demand for the capital market products and services offered by the Bank.

The trading result at CGMD in the first half of 2016 was lower than the figures reported last year. The reasons behind this development are the difficult situation on the financial markets and the lower sales volume for the Bank’s own issued derivative products as caused thereby.

In the first six months of the fiscal year, the interest result, which had been forecasted at the same level as the prior year, was significantly less than it was for the same period of the prior year. The reasons behind this trend where the continued low interest rates, the negative interest accruing on deposits held with the ECB and the pesistently weak demand for loans.

In the first half of the fiscal year, there were no changes to the past business model, and no such changes are planned for the remaining months.

2.1.1 Markets & Securities Services

In the first half year of 2016, the Markets and Securities Services (MSS) Business Division was unable to to meet the forecasts made in the 2015 management report.

In a difficult market environment, commission income decreased by EUR 2.0 million to EUR 37.3 million. The trade result also declined by EUR 10.3 million to EUR 26.1 million.

For the upcoming six months, the MSS Business Division generally expects the difficult market environment to persist, which will be dominated specifically by geopolitical factors such as weak growth in developing countries and the effects related thereto, the after-effects of the Brexit referendum or even event risks such as those arising from the failed military coup in Turkey, ISIS terror, etc.

Despite a good market position, it will probably be a challenge to hold earnings at the prior year level.

2.1.2 Corporate & Investment Banking

The Business Division was unable to meet the projection made in the 2015 annual financial statements for the first six months of this fiscal year.

Commission income fell by EUR 2.5 million to EUR 19.6 million.

2.1.3 Treasury & Trade Solutions

In the first six months of fiscal year 2015, the TTS Business Division exceeded the forecasts it made in the annual financial statements.

Compared to the same period of the prior year, the commission income earned in this division rose by EUR 5.3 million to EUR 10.0 million.

2.2 Net assets, financial conditions and results of operation

2.2.1 Net assets

The balance sheet total of CGMD as of May 31, 2016 declined from November 30, 2015 by EUR 712.9 million to EUR 10,492.9 million. The largest single line items in the balance sheet are receivables from banks in the amount of EUR 3,799.7 million (prior year: EUR 3,471.5 million) and liabilities owed to banks in the amount of EUR 2,110.3 (prior year: EUR 2,053.7 million) and the assets in the trading portfolio totaling EUR 6,438.1 million (prior year: EUR 7,466.8 million). As of the balance sheet date, the Bank reported liabilities in the trading portfolio totaling EUR 6,475.4 million (prior year: EUR 7,480.4 million). The trading portfolio assets and liabilities result largely from the warrants and certificates business and include the traded products recognized at market value. The increase in trading portfolio assets and liabilities resulted from the issuance of new products and increased demand in the market.

In addition, there is a special item (“fund for general banking risks”) booked pursuant to § 340g HGB and it remains unchanged at EUR 25.7 million.

The Company’s equity capital was EUR 590.5 million (prior year: EUR 590.5 million) as of May 31, 2016.

Contingent liabilities based on guarantees and warranties climbed to EUR 491.8 million (prior year: EUR 525.6 million).

Irrevocable credit commitments totaled EUR 521.8 million (prior year: EUR 581.3 million).

2.2.2 Financial condition

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

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

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

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

2.2.3 Results of operation

For the current 2016 fiscal year, CGMD reported a profit in the amount of EUR 16.1 million (prior year: EUR 27.3 million).

Due to the continuing negative interest rate environment, net interest income declined to EUR -1.0 million (prior year: EUR 0.2 million).

The steady net commission income of EUR 65.6 million (prior year: EUR 65.6 million) resulted primarily from the continued strong demand for the capital market goods and services offered by the Bank.

In the first half of fiscal year 2016, the Bank booked net income from the trading portfolio in the amount of EUR 26.1 million (prior year: EUR 31.5 million), which related to dividends received under the trading portfolio and to transactions with warrants and certificates. The continued volatile mood on the international financial markets had a negative impact on earnings in the first half of fiscal year 2016.

Personnel expenses rose to EUR 39.8 million primarily due to higher expenses for variable compensation & salaries (prior year: EUR 31.9 million).

The decrease in other operating expenses by EUR 6.2 million to EUR 1.8 million (prior year: EUR 8.0 million) resulted mostly from taking on expenses for the accrual (compounding) of pension obligations due to the statutory change regarding the applicable discount rate.

The remaining administrative expenses rose by EUR 6.5 million to EUR 44.2 million (prior year: EUR 37.7 million) due to shared or pass-through costs within the Group and expenses in connection with the bank levy.

At the start of fiscal year 2016, Citigroup began converting parts of its internal transfer pricing methodology with regard to income and expenses. As part of the conversion, changes may still occur in the remaining months of fiscal year 2016, but such changes will not have a significant impact on the banks results.

Overall, the Bank views the development in 2016 as satisfactory and the net assets, financial position and results of operation as solid.

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4 Risk Report

4.1 Organization of the risk management

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

4.2 Risk definition and risk strategy

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

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

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

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

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

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

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

4.3 Overview of the types of risks

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

4.3.1 Credit risks

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

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

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

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

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

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

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

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

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

The following table provides an overview of the structure of the loan portfolio based on the types of loan and credit scores as of May 31, 2016:

May_2016	Total (MM USD)			Direct			Contingent Liability			Clearing			PSR			STL		
FRR	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)	#	Vol	%(Vol)
1	33	6,827	26.8%	9	6,462	76.6%	23	362	29.9%	1	3	0.0%	0	0	0.0%	0	0	0.0%
2	29	1,096	4.3%	10	10	0.1%	7	263	21.7%	12	822	5.3%	0	0	0.0%	0	0	0.0%
3	219	5,159	20.3%	66	1,109	13.1%	48	189	15.6%	97	3,635	23.5%	6	81	43.1%	2	144	100.0%
4	364	10,522	41.3%	78	602	7.1%	74	191	15.8%	205	9,622	62.1%	7	107	56.9%	0	0	0.0%
5_7	177	1,827	7.2%	41	255	3.0%	21	196	16.2%	115	1,376	8.9%	0	0	0.0%	0	0	0.0%
8_9	4	38	0.1%	1	0	0.0%	1	10	0.9%	2	28	0.2%	0	0	0.0%	0	0	0.0%
10	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	826	25,469	100.0%	205	8,439	100.0%	174	1,211	100.0%	432	15,486	100.0%	13	188	100.0%	2	144	100.0%

In this regard, the direct, bilateral credit facility with clients is summarized under the heading “Direct Exposure” [3], while “Contingent Exposures” covers contingent liabilities (aval guarantees) and “PSR” (Pre-Settlement Risk Exposure) covers fulfillment risk. Under “Clearing Risk” [4], revocable intra-day credit facilities are listed, which allow customers to settle cash and securities transactions. The credit scores listed in column 1 (Facility Risk Rating (FRR)) are based on the likelihood of default (Probability of Default (PD)), which is calculated on a group-wide basis, and the applicability of which is transparently established for the local loan portfolio, however, as part of the annual verification process. The PDs are also a significant component for the model calculation of the risk capital for credit risks. An FFR of 1 corresponds to an AAA (S&P) credit rating. A very large majority of the loan portfolio is managed with clients whose credit rating is investment grade (FRR 4). In order to calculate the risk capital for the credit risks, other factors and parameters are also included such as “Loss Given Default” (loss ratio in the event of default) and the “Exposure at Default (amount of the receivables at the time of the default).

The following table[5] provides an overview regarding the granting of loans based on regions/sectors. The dispositive aspect for evaluating the portfolio in each case is the country in which parent company has its registered corporate domicile:

EUR MM	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
GERMANY	2,854	2,582	2,733	2,762	3,072	2,774	2,550
USA	1,538	1,881	1,620	1,744	1,497	1,700	2,214
EUROPE	173	139	130	138	134	120	107
ASIA	59	58	57	57	52	47	45
OTHER	42	37	41	46	41	36	26
Grand Total	***4,666***	***4,697***	***4,581***	***4,747***	***4,795***	***4,678***	***4,943***

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

EUR MM	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
FINANCE	1,706	1,956	1,704	1,868	1,581	1,796	2,336
GOVERNMENT	1,750	1,566	1,814	1,879	2,187	1,891	1,656
CORPORATES	1,210	1,176	1,063	1,000	1,027	991	950
OTHERS	0	0	0	0	0	0	0
Grand Total	***4,666***	***4,697***	***4,581***	***4,747***	***4,795***	***4,678***	***4,943***

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

4.3.2 Market price risks

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

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

[3] In the table on the structure of the loan portfolio, referred to as “Direct”.
[4] In the table on the structure of the loan portfolio, referred to as “Clearing “.
[5] All information in the following both tables are shown in EUR millions.

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

In order to assess the risk position in Trading and in G10 Markets Treasury, all individual transactions are marked to market on a daily basis. The prices underlying the valuation are obtained directly from independent external sources or calculated using valuation models. The market parameters used in this process are either transferred automatically to the valuation system or are compiled manually by the traders. The market parameters are fastidiously checked by the market surveillance office by comparing them with independent external sources. Based on these data, the current market values and the daily gains and losses are assessed independently from the trading function.

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

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

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

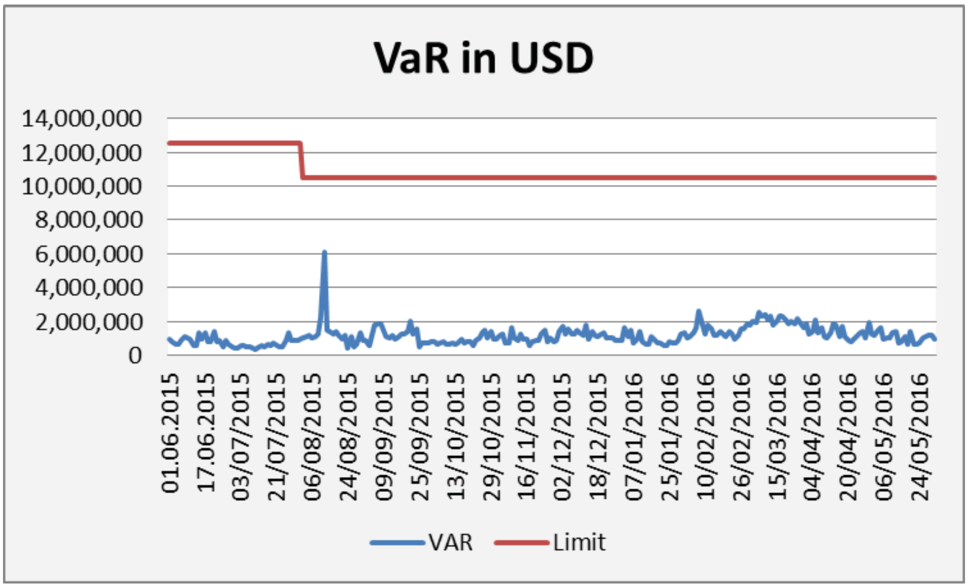
In addition, in order to stimulate extreme market changes, analyses of stress tests are carried out in regular intervals and, in specific situations, on an *ad hoc* basis.

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

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

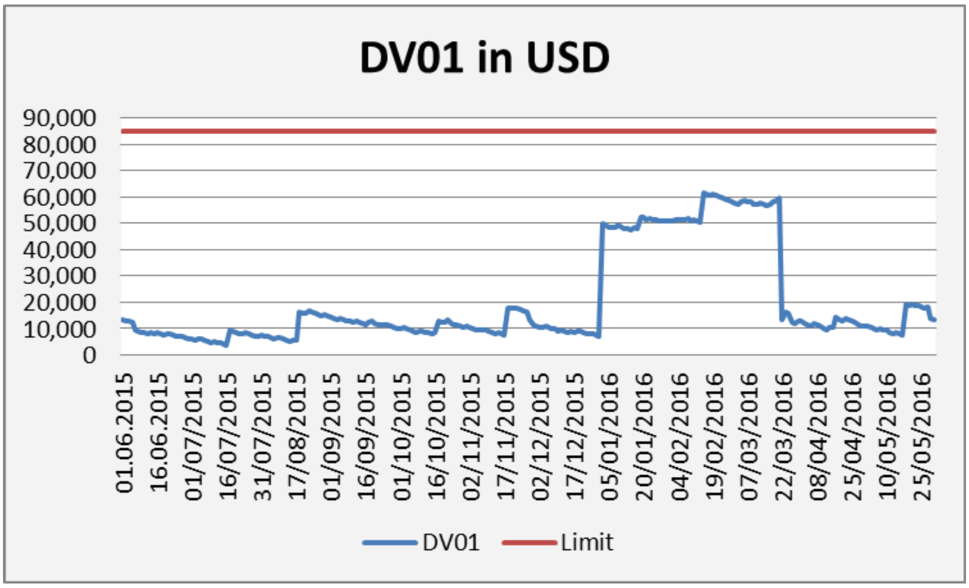
The Group’s standard VaR model is subject to an annual, local model validation process in order to ensure that the group-wide model parameters match the profile of the local market risk. Core elements of the validation process are the hypothetical back-testing method, which is carried out each day and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

The diagram shown below presents an overview of the development of the VaR over the last 12 months. The figures shown must be seen relative to the total limit for the VaR (USD 10.5 MM):



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

The following diagram charts the risk of interest rate changes for the Bank's non-trading book [*Anlagebuch*], for the period of July 2015 through May 2016 in USD.



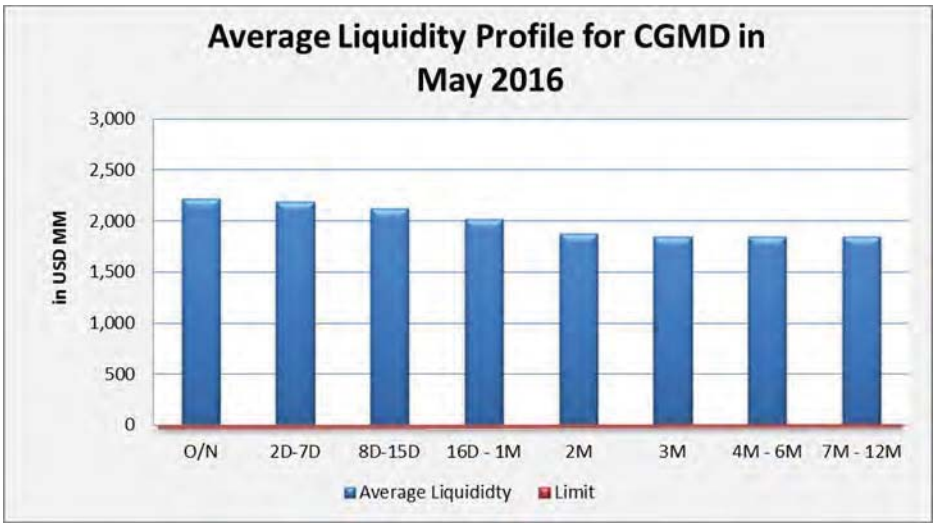
In this case as well, CGMD is exhibiting a relatively low utilization of the limit of USD 85 million that was approved by the Executive Board. As it was done before, the liquidity cushion continues to be higher than a cash reserve. This had already led in fiscal year 2015 to a sustained reduction in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

With an interest rate change of +/- 200 basis points, the amount of the potential loss calculated on this basis equaled USD 2,715k (prior year: USD 2,238k) on the balance sheet date. In fiscal year 2015/2016 once again, the change in the cash value of the non-trading book caused thereby was significantly below the prescribed limit of 20% of the equity capital.

4.3.3 Liquidity risks

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

CGMD reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the current fiscal year 2015/2016, there were no limit breaches shown in the funding matrix. The following table shows the accumulated cash flow of CGMD distributed according to the relevant maturity ranges as of the balance sheet date. The cash flow limits for all maturity ranges was kept unchanged at zero in the recently completed fiscal year. In other words, a negative cash flow within a given maturity range automatically triggers a limit transgression, which in turn prompts a corresponding escalation to the Executive Board.



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

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

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

4.3.4 Operational risks

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

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

- Execution, Delivery & Process Management

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

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

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

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

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

4.3.5 Other significant risks

Pension fund risks

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

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

Reputation risks

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

Miscellaneous risks

CGMD continues to maintain an active dialogue with the tax authorities in order to bring about clarification of the tax treatment in a number of product segments. CGMD has set aside a provision in the amount of EUR 7.2 million for possible costs that could arise in connection with legal advice.

4.4 Overall bank control based on the strategy of risk-bearing capacity

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

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

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

The table below shows the development of the economic capital requirements for each quantifiable and significant type of risk, which CGMD faced in the period from June of 2015 through May, 2016. The figures shown are in USD millions. Under the last column labeled “Trend”, the trend in the risk-bearing capacity is shown as a comparison to the respective month of the previous year. Concentration risks are implicitly included within the risk model. Possible risk concentrations are also identified and appraised in a concentration analysis.

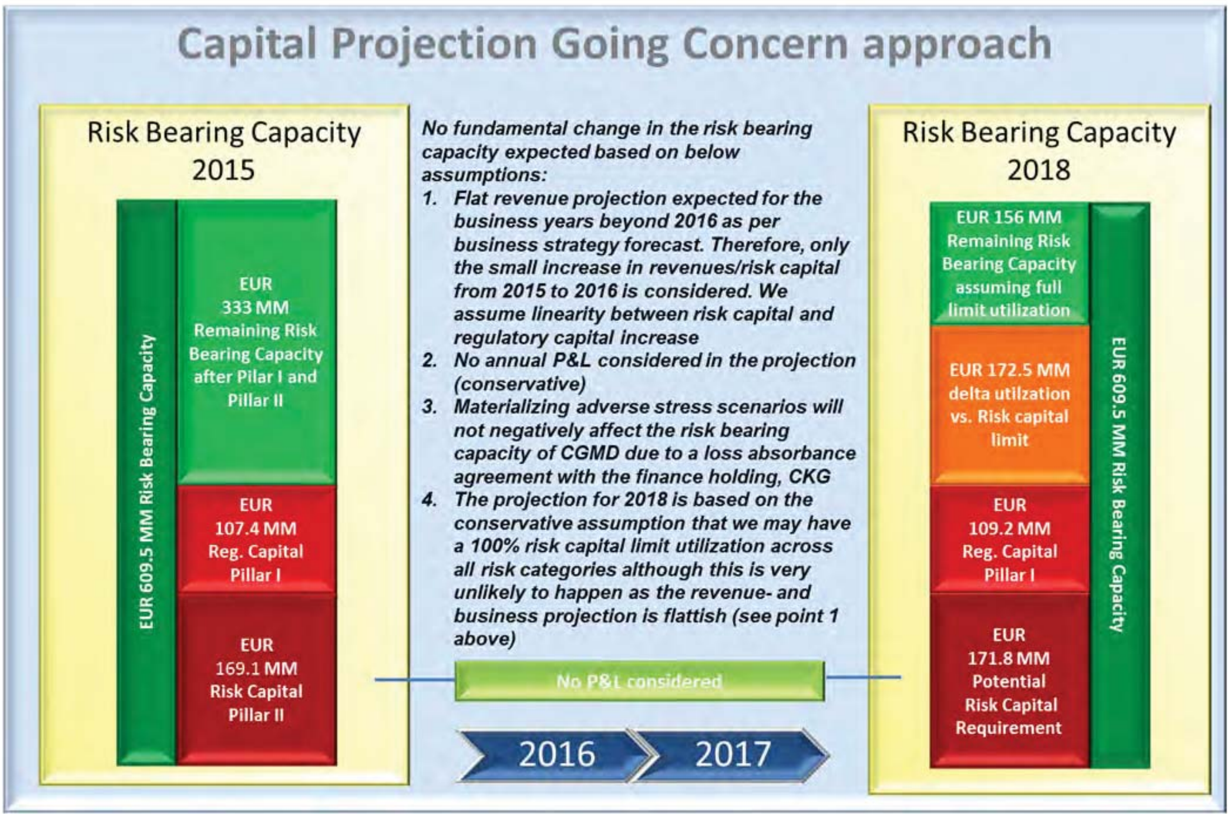
Month	Credit Risk	Market Risk	Operational Risk	Reputational Risk	Pension Fund Risk	Total RC	Risk Bearing Capacity	Remaining Capacity	Trend
Jun-15	50.0	20.1	40.8	10.2	71.0	192.1	527.2	335.1	up
Jul-15	50.7	14.2	40.0	10.0	71.0	185.9	519.4	333.5	stable
Aug-15	50.4	15.1	40.9	10.3	74.2	190.9	547.3	356.4	up
Sep-15	50.3	17.4	40.9	10.3	74.2	193.1	545.5	352.4	stable
Oct-15	48.1	18.5	40.2	10.1	74.2	191.1	523.3	332.2	down
Nov-15	48.9	17.4	38.6	9.7	72.9	187.5	510.7	323.2	stable
Dec-15	43.6	17.2	39.7	10.0	72.9	183.4	531.1	347.7	up
Jan-16	44.2	17.6	39.8	10.0	72.9	184.5	543.4	358.9	stable
Feb-16	42.1	20.6	39.7	10.0	75.2	187.6	563.2	375.6	stable
Mar-16	42.6	25.7	41.5	10.4	75.2	195.4	627.6	432.2	up
Apr-16	42.7	27.5	41.6	10.4	75.2	197.4	593.2	395.8	down
May-16	38.9	25.2	40.7	10.2	78.3	193.3	594.2	400.9	stable

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

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

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

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



4.5 Summary description of the risk situation

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

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

As of the balance sheet date in May, the equity capital (own funds) requirements were EUR 99.6 million and the regulatory equity capital (own funds) was EUR 615.6 million. This represents a total equity ratio of 49.4%.

5 Accounting-based Internal Control System

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

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

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

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

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

The results of the process are discussed during monthly Balance Sheet Validation Committee meetings. The persons participating in this meeting are the Executive Board member responsible for Finance, Treasury and Tax.

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

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

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

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

6 Supplementary Report

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

Interim Balance Sheet 31 May 2016
Citigroup Global Markets Deutschland AG , Frankfurt am Main

Assets

	EUR	EUR	EUR	30/11/2015 TEUR
1. Cash reserves				
a) Petty cash		-.--		-
b) Credit balances held at central banks		12,973,652.43		33,348
of which: at the German *Bundesbank* (German Central Bank)				
EUR 12,973,652.43 (30.11.2015 TEUR 33,348)				
c) Credit balances held at postgiro offices		-.--	12,973,652.43	33,348
2. Receivables from banks				
a) Due upon demand		101,527,382.66		117,644
b) Other receivables		3,698,125,196.56	3,799,652,579.22	3,353,837
3. Receivables from clients			220,092,632.88	219,548
Of which: secured by real property security				
interests EUR -.-- (11/30/2015 TEUR -)				
Municipal loans EUR -.-- (11/30/2015 TEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-.--			-
ab) issued by others	-.--	-.--		-
b) Bonds and debt securities				
ba) issued by government institutions	-.--			-
of which: eligible as collateral with the German				
Bundesbank EUR -.-- (11/30/2015 TEUR -)				
bb) issued by others	-.--	-.--		
of which: eligible as collateral with the German				
Bundesbank EUR -.-- (11/30/2015 -)				
c) Bank's own debt securities		-.--	-.--	-
Face value EUR -.-- (11/30/2015 -)				
5. Equities and other variable-yield securities			-.--	-

5a. Trading portfolio			6,438,071,193.30	7,466,828
6. Equity investments			1,135,714.07	1,354
of which: in banks	EUR -.-- (11/30/2015 TEUR 218)			
in financial service institutions	EUR -.-- (11/30/2015 -)			
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		-.--		-
c) Goodwill		-.--		
d) Prepayments		-.--	-.--	
8. Tangible assets			2,697,061.70	1,515
9. Other assets			13,494,274.67	9,161
10. Prepaid and deferred items			4,816,374.39	2,586
11. Excess of plan assets over post-employment benefit liability			-.--	-
	Total assets		10,492,933,482.66	11,205,821

Liabilities and Equity Capital

	EUR	EUR	EUR	30/11/2015 TEUR
1. Liabilities owed to banks				
a) Payable on demand		883,202,166.03		924,329
b) Having agreed term or notice period		21,787,336.19	904,989,502.22	22,579
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	1,273,908,114.83			1,199,094
bb) having an agreed term or notivce period	836,419,845.35	2,110,327,960.18	2,110,327,960.18	854,606
3. Securitized liabilities				
a) Debt securities issued		-.--		-
b) Other securitized liabilities		-.--		-
of which:				
money market paper EUR -.-- (11/30/2015 TEUR -)				
own acceptance and promissory notes outstanding EUR -.-- (11/30/2015 TEUR -)				
c) Miscellaneous securitized liabilities		-.--	-.--	-
3a. Trading portfolio			6,475,419,439.54	7,480,415
4. Other liabilities			338,234,672.38	49,831
5. Deferred items			246,909.07	245

6. Accrued liabilities				
a) Pensions and similar obligations		7,062,375.00		14,892
b) Tax accruals		-.--		-
c) Other accrued liabilities		40,428,326.86	47,490,701.86	43,605
7. Funds for general bank risks			25,743,512.35	25,744
8. Equity capital				
a) Subscribed capital				
aa) registered share capital	210,569,889.00			210,570
ab) silent partner capital	-.--	210,569,889.00		-
b) Capital reserve	318,967,162.20	318,967,162.20		318,967
c) Earnings reserves				
ca) legal reserve	33,027,197.15			33,027
cb) reserve for shares held in controlling companies	-.--			-
or companies in which majority shareholding exists	-.--			-
cc) reserves required by the Bank's articles of association	-.--			-
cd) other earnings reserves	27,916,536.71	60,943,733.86		27,917
d) Unappropriated earnings/loss (balance sheet profit/loss)			590,480,785.06	-
	Total liabilities and equity capital		10,492,933,482.66	11,205,821

	EUR	EUR	30/11/2015
1. Contingent liabilities			
a) Contingent liabilities from credited but uncleared bills of exchange	-.--		-
b) Contingent liabilities from guarantees and warranty commitments	491,822,352.45		525,649
c) Contingent liabilities from security provided on behalf of third parties	-.--	491,822,352.45	-
2. Other obligations			
a) Commitments under fictitious/reverse repurchase (repo) agreements	-.--		-
b) Placement and underwriting commitments	-.--		-
c) Irevocable lines of credit previously granted	521,768,636.53	521,768,636.53	581,284

Income Statement
of
Citigroup Global Markets Deutschland AG, Frankfurt am Main
for the period December 1, 2015 through May 31, 2016

	EUR	EUR	EUR	Dec 1, 2014 - May 31, 2015 TEUR
1. Interest income from				
a) Loans and money market transactions	3,821,101.09			1,058
b) Fixed income securities and debt registered claims	-. --			-
2. Negative interest income from				
a) Loans and money market transactions	5,978,455.12	./. 2,157,354.03		
3. Interest expenses	1,329,716.14			860
4. Positive interest from loans and money market transactions	2,443,246.08	1,113,529.94	./. 1,043,824.09	
5. Current income from				
a) Shares and other variable-yield securities		-. --		-
b) Equity investments		16,659.01		-
c) Interests held in affiliated enterprises		-. --	16,659.01	-
6. Commission income		66,625,368.32		66,602
7. Commission expenses		1,021,993.98	65,603,374.34	986
8. Net income from financial trading operations			26,104,121.15	31,482
9. Other operating income			11,580,706.03	7,079
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	37,592,759.19			27,178
ab) social security contributions, pension and welfare expenses,	2,172,502.31	39,765,261.50		4,718
of which: for pensions EUR 311,724.52 (12/1/14 - 5/31/15 TEUR 2,800)				
b) Other administrative expenses		44,231,434.43	83,996,695.93	37,681
11. Depreciation, amortization and write-downs of tangible and intangible assets			337,023.66	282
12. Other operating expenses			1,764,778.20	8,031
13. Write-downs of, and provisions for, receivables and certain securities and additions to loan reserves		85,100.00		-

14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	50,265.14	./. 34,834.86	807
15. Income from reversal of investments, interests in affiliated enterprises, and long-term securities treated as assets	-. --	-. --	-
16. Result from ordinary operations		**16,127,703.79**	**27,292**
17. Extraordinary income	-. --		-
18. Extraordinary expenses	-. --		-
19. Extraordinary result	-. --	-. --	-
20. Taxes on income and earnings	120.09		1
21. Other taxes, to the extent not included under item 10	-. --	120.09	-
22. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement		16,127,583.70	27,291
23. Annual net income		**-. --**	**-**
24. Profit carried forward/loss carry forward from prior year		-. --	-
		-. --	-
25 Transfer from capital reserves		-. --	-
		-. --	-
26. 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 other earnings reserves	-. --	-. --	-
		-. --	-
27. Transfers from capital participation rights		-. --	-
		-. --	-
28. Transfers to earnings reserves			
a) to legal reserve	-. --		
b) to reserve for treasury shares	-. --		
c) to reserves required by the Bank's articles of association	-. --		
d) to other earnings reserves	-. --	-. --	-
		-. --	-
27. Replenishment of capital with profit participation rights		-. --	-
29. Unappropriated earnings (balance sheet profit)		-. --	-

Citigroup Global Markets Deutschland AG
Frankfurt am Main

Notes to the Half-Year Financial Report as of May 31, 2016

1. Bases of the Accounting

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

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

The subscribed capital of CGMD includes the registered share capital of EUR 210.6 million. The registered share capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, (CKG), Frankfurt am Main.

The Half-Year Financial Report as of May 31, 2016 was 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.

The comparison figures of the balance sheet items refer to the reporting date of November 30, 2015. The income statement focuses on the prior year comparison period from December 1, 2014 to May 31, 2015.

2. Accounting and Valuation Methods

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

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

As of May 31, 2016, the risk discount equaled TEUR 116.0 for the foreign currency risk trading book, TEUR 2,617.0 for the equities and index risk trading book, and TEUR 317.0 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a "market value adjustment" totaling TEUR 657.7, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

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

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

Receivables from banks are stated at the nominal amount plus accrued interest. No write-downs were required in the first half of fiscal year 2016.

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

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

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

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

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

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of six ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness known as a "*Schuldschein"*) and a face value totaling TEUR 50,000.0. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,436.0 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions [*Schuldscheindarlehen*] resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 11,537.4 higher than the book value. The Bank applies the net hedge presentation method [*Einfrierungsmethode*] for the hedge established under § 254 HGB. It intends to preserve the hedge until the underlying transactions expire. The prospective and retrospective effectiveness testing is done using the critical term match method.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on by affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2016, CGMD had calculated an amount of TEUR 1,052.3 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

Use was made of the simplification rule under § 253 (2) sentence 2 of HGB for the pension provisions. For purposes of determining the present cash value, the discount rate [*Rechnungszins*] applied was the average market interest rate over the past ten years on a term to maturity of 15 years (equaling 4.2%). Future salary and wage increases were estimated at 2.25%, and at the same time, a 1.8% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables

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

In the current fiscal year, income of TEUR 2,935.2 was generated from discounting the pension obligations (prior year: TEUR 10,667.3 expense resulted from the accrual of interest), while the change in the fair value of the plan assets yielded an expense of TEUR

579.5 (prior year: TEUR 7,857.7 in income). These result components are netted and then reported under other operating income (prior year reported under other operating expenses).

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 170,473.9 (prior year: TEUR 171,053.4). The settlement amount of the pension obligations to be netted equaled TEUR 172,264.9 (prior year: TEUR 178,066.8) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date was TEUR 1,791.0 (prior year: TEUR 7,013.4) and was reported under the accrued liabilities item “Pensions and similar obligations”.

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

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

The acquisition costs of the fund units in the PAS Fund (**Sondervermögen PAS)** equal TEUR 4,029.2. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,217.2 (prior year: TEUR 10,428.8). The settlement amount of the liabilities to be netted equaled TEUR 9,217.2 (prior year: TEUR 10,428.8).

In the current fiscal year, income of TEUR 1,211.6 was yielded from discounting the liabilities (prior year: expense of TEUR 1,309.8 resulting from accrual of interest), and the change in the fair value of the plan assets resulted in an expense of TEUR 1,211.6 (prior year: TEUR 1,165.4 in income). In the current fiscal year, no current income was generated (prior year: TEUR 144.4). These result components are netted and reported under other operating expenses.

The costs of acquiring units of the **deferred compensation** fund totaled TEUR 8,954.0. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,132.3 (prior year: TEUR 10,489.3). The settlement amount of the liabilities to be netted equaled TEUR 10,132.3 (prior year: TEUR 10,489.3).

In the current fiscal year, the discounting of the obligations generated income in the amount of TEUR 4.9 (prior year: expense of TEUR 26.5 from accrual of interest), and the change in the fair value of the plan assets yielded an expense of TEUR 4.9 (prior year: income of TEUR 26.5). These result components are netted and reported under other operating expenses.

In connection with hedging the obligations under the bonus conversion, the Bank purchased units of the **PRS** Fund at costs of acquisition equaling TEUR 39,479.2, and netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current fiscal year, the discounting of the pension obligations generated income totaling TEUR 127.9 (prior year: expense of TEUR 2,403.8 resulting from accrual of interest). The change in the fair value of the plan assets resulted in income of TEUR 835.2 (prior year: income TEUR 499.7). In the current fiscal year, no current income was generated (prior year: TEUR 91.2). These result components are netted and reported under other operating income (prior year under other operating expenses). In connection with the standard allocation [*Regelzuführung*], an expense was generated in the amount of TEUR 109.3 (prior year: TEUR 72.7).

On the balance sheet date, the fair value of the plan assets to be netted equaled TEUR 46,646.8 (prior year: TEUR 44,649.1). The settlement amount of the pension obligations to be netted was TEUR 51,918.2 (prior year: TEUR 52,527.8) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 5,271.4 (prior year: TEUR 7,878.7) and was reported under the accrued liabilities item “pensions and similar obligations”.

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

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

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

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

On the balance sheet date, the settlement amount for the early retirement obligations equaled TEUR 3,783.8 (prior year: TEUR 4,527.2). The fair value of the pledged reinsurance policies in the amount of TEUR 3,288.6 (prior year: TEUR 3,731.6) was netted against the settlement amount of the early retirement obligations. The settlement amount exceeding the plan assets on the settlement date and totaling TEUR 495.2 (prior year: TEUR 795.6) was shown under the line item, “Other provisions”. In the current fiscal year, an expense in the amount of TEUR 88.2 (prior year TEUR 126.9) has resulted from the accrual of interest on the obligations, while income in the amount of TEUR 130.5 (prior year: TEUR 2.6) is yielded from a change in the fair value of the plan assets. These components of the result are netted and reported under other operating income (prior year: under other operating expenses). In connection with the standard allocation, income was generated in the amount of TEUR 27.6 (prior year expense: TEUR 781.7).

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

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

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

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their contractually prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank's own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a risk-free rate. Viewed as of May 31, 2016, 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 May 31, 2016 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,** is TEUR 94,433.5. The amount barred from payout distribution within the meaning of § 268 (8) HGB and in the amount of TEUR 79,228.5 (prior year: TEUR 80,153.7) results entirely from the capitalization of the plan assets at fair value in the amount of TEUR 236,470.1. The amount, which is barred from payout distribution within the meaning of sentence one of § 253 (6) HGB, equals TEUR 15,205.0 (prior year: TEUR 0) and results from the difference between the valuation of the pension provision using the 10-year average annual interest rate as stipulated under § 253 (2) HGB and the 7-year average annual interest rate. The freely available provisions exceed the total sum of the amounts that are barred from payout distribution.

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

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

In accordance with § 340a (1) and (2) HGB in combination with § 265 (5) HGB, negative interest income [*Negative Zinserträge*] and negative interest expenses [*negative Zinsaufwendungen*] are shown in the income statement under line items no. 2 "Negative interest income" and no. 4 "positive interest" [*Positive Zinsen*], respectively and.

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

3. Notes on the Balance Sheet and on the Income Statement

We refer at this point to the statements made in the Management Report.

4. Other Notes

The asset item shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling TEUR 5,476,928.3 (prior year: TEUR 6,404,197.3), debt securities and other fixed-income securities in the amount of TEUR 653,968.3 (prior year: TEUR 685,465.0), and shares including, *inter alia*, variable-yield securities in the amount of TEUR 307,174.5 (prior year: TEUR 377,165.4). Of the debt securities and other fixed income securities, TEUR 653,968.3 (prior year: TEUR 685,465.0) were eligible and listed for trading on a stock market. Of the shares and variable-yield securities, TEUR 307,174.5 (prior year: TEUR 377,165.4) were eligible and listed for trading on a stock market.

The equity investments totaling TEUR 1,135.7 (prior year: TEUR 1,353.6) are not eligible for stock market listing.

The item shown as other assets in the amount of TEUR 13,394.2 (prior year: TEUR 9,161.3) includes primarily tax receivables of TEUR 6,937.1 (prior year: TEUR 6,029.6), initial margin payments made and totaling TEUR 5,894.0 (prior year: TEUR 0), and claims under non-pledged reinsurance policies of TEUR 847.8 (prior year: TEUR 1,022.6).

The liability item shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of TEUR 5,556,822.0 (prior year: TEUR 6,498,994.3) and liabilities arising from issued and outstanding debt securities in the amount of TEUR 918,597.4 (prior year: TEUR 981,421.1).

The item, other liabilities, in the amount of TEUR 338,234.7 (prior year: TEUR 49,831.0) relates primarily to liabilities under the profit transfer obligation and totaling TEUR 16,127.6 (prior year: TEUR 32,878.1), liabilities arising from the withheld capital yield tax [*Kapitalertragsteuer*] and the solidarity tax surcharge on dividends of TEUR 317,162.8 (prior year: TEUR 82.3).

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 TEUR 4,253.5 (prior year: TEUR 1,709.3). Provisions for bonuses were booked on the basis of the individual employees in an amount of TEUR 16,779.2 (prior year: TEUR 22,776.8). Provisions in the amount of TEUR 5,200.0 (prior year: TEUR 5,200) relate to outstanding capital yield withholding tax payments for prior fiscal years. Provisions for early retirement equaled TEUR 495.2 (prior year: TEUR 795.6) after setting-off the pledged re-insurance policies in the amount of TEUR 3,288.6 (prior year: TEUR 3,731.6).

The profits allocated on the basis of a profit transfer or partial profit transfer contract equal TEUR 16,127.6 and relate to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main.

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of TEUR 491,822.4 (prior year: TEUR 525,629.3). 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 TEUR 521,768.6 (prior year: TEUR 581,283.7), TEUR 517,444.5 (prior year: TEUR 581,283.7) 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.

The Half-Year Financial Report as of May 31, 2016 and the Interim Management Report of CGMD were not audited in accordance with § 317 HGB nor were they reviewed by an auditor.

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

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

The CGMD Executive Board consist of the following members

Stefan Wintels, Frankfurt am Main, Bank Director
Dr. Silvia Carpitella, Frankfurt am Main, Bank Director
Thomas Falk, Hochheim am Main, Bank Director
Stefan Hafke, Kelkheim, Bank Director
Andreas Hamm, Dreieich, Bank Director
Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Bank Director,
Christian Spieler, Bad Homburg, Bank Director,

The Supervisory Board consists of the following members:

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

Frankfurt am Main, July 20, 2016

Citigroup Global Markets Deutschland AG

Stefan Wintels (CEO)	Dr. Silvia Carpitella
Thomas Falk	Stefan Hafke
Andreas Hamm	Dr. Jasmin Kölbl-Vogt
Christian Spieler	

Country by Country Reporting pursuant to § 26 a of the German Banking Act [*Kreditwesengesetz*, "KWG"]

May 31, 2016

The report for the first half-year of 2016 presents the revenues accrued, the pre-tax earnings, the taxes on earnings and the number of employees for every Member State of the EU and non-EU countries in which CGMD has a branch or a registered office. Revenue is stated as the total of the interest surplus, the commission surplus, trading result and the other operating income as of the end of the half-year. The number of employees is stated on the basis of full-time equivalents.

Amounts in € millions	**Germany**	**United Kingdom**
Revenues	102.2	0.0
Earnings before taxes	15.9	0.2
Taxes on earnings	0.0	0.0
Public subsidies received	-	-
Number of employees	285	6

Company	**Type of activity**	**Registered office location**	**Country**
Citigroup Global Markets Deutschland AG	Bank	Frankfurt am Main	Germany
Citigroup Global Markets Deutschland AG London Branch	Bank	London	United Kingdom

Statement related to the Half-Year Financial Report

as of May 31, 2016

of Citigroup Global Markets Deutschland AG

pursuant to § 37y in connection with § 37w (2) no. 3 of the German Securities Trading Act (WpHG)

To the best of our knowledge, we hereby represent that in accordance with the applicable accounting principles, the Half-Year Financial Report of Citigroup Global Markets Deutschland AG gives a true view of the Bank's net assets, financial position and results of operation and that the interim management report presents a true view of the business performance (including the business results and condition of the Bank) and describes the significant opportunities and risks regarding the anticipated development of the Bank.

Frankfurt am Main July 20, 2016

Citigroup Global Markets Deutschland AG

Stefan Wintels (CEO)

Dr. Silvia Carpitella

Thomas Falk

Stefan Hafke

Andreas Hamm

Dr. Jasmin Kölbl-Vogt

Christian Spieler

<u>SIGNATURES</u>

Frankfurt am Main, 5 August 2016

Citigroup Global Markets Deutschland AG,
Frankfurt am Main

by Dirk Heß	by Steffen Thomas
Director	Vice President