

Citigroup Global Markets Deutschland AG & Co. KGaA

Frankfurt am Main

Registration Document

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1. RISK FACTORS

The material risk factors, which may affect Citigroup Global Markets Deutschland AG & Co. KGaA's (the "**Issuer**") ability to meet its obligations under the securities, are described as following. 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 results of operations 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 results of operations. 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 buying and offered 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 (where no early exercise is possible) of the securities or to exercise your rights on one of the possible dates and to accept the risk of volatility of the disbursement amount until such date. 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 money transfers. 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 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 certificate 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) and then exercised their right to withdraw pursuant to the domestic equivalent of Article 16 (2) of the EU Prospectus Directive 2003/71/EC. 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 liability for the contents of the prospectus ("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 implementing Directive 2003/71/EC of the European Parliament and of the Council 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 EU Prospectus Directive 2003/71/EC 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, or the investors could lose the intrinsic value of their securities if they cannot enter into an off-exchange securities transaction with the Issuer because of a certain restriction under the public offering.

The Issuer has granted loans to various Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The total value of these loans equals approximately EUR 1.4 billion. The Issuer has essentially hedged the risk that these loans will not be serviced 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 make 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 bottlenecks, then - despite the control and profit (loss) transfer agreement - the Issuer may not be able to discharge 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 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 and one of its most important sources of 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 bottlenecks, 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 a first class 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.

The issuer granted approximately EUR 1.4 billion in loans to Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The Issuer has hedged the risk that these loans will not be serviced in accordance with the contractual obligations (specifically 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

Treasury assesses and controls the Issuer's interest rate risk. The Issuer's exposure to changes in interest rates is a mid to long-term risk and primarily affects holdings in liquid securities that were not originally covered by hedging transactions like interest rate swap agreements. The securities may be sold on short notice. A significant risk from interest rate changes could arise where interest rates are not monitored in a timely or sensitive manner, which could 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 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 and/or on the company that was absorbed by the Issuer in 2003 as part of a merger (formerly Salomon Brothers AG) 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. The reservations generally involve issues of key importance to the Issuer such as the tax recognition of expenses incurred in hedging previously sold options and the tax recognition of expenses incurred when shareholders use debt to finance current assets.

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 bank'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.

- Risk to reputation

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.

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 & Co. KGaA, New Issues Structuring, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main) on the day of the approval by the Federal Financial Supervisory Authority (*BaFin*).

This Registration Document shall be valid for 12 months after its publication; this Registration Document solely represents the status of the information contained in it at the time of its publication.

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 & CO. KGAA IS NOT SOLICITING ANY ACTION BASED UPON IT. NOBODY HAS BEEN AUTHORISED BY CITIGROUP GLOBAL MARKETS DEUTSCHLAND AG & CO. KGAA 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 & CO. KGAA.

3. PERSONS RESPONSIBLE

Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main, accepts responsibility for all 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 57295.

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 its managing general partner during the period covered by the historical financial statements in this Registration Document (business years 2008 and 2007) was and respectively is

KPMG AG
Wirtschaftsprüfungsgesellschaft
Marie-Curie-Str. 30
D-60439 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 AND DEVELOPMENT OF THE ISSUER

5.1 Business history of the Issuer

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

The Issuer is entered in the commercial register of the Local Court of Frankfurt/Main under registration number HRB 57295.

Prior to the merger of Citigroup Global Markets Deutschland GmbH into 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 that date 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.

5.2 Spin-off agreement 2008

Prior to the reorganisation of the German part of Citigroup in 2008, which is described in more detail below, the sole shareholder of both the Issuer, Citigroup Global Markets Deutschland AG & Co. KGaA, and the 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, Citigroup Global Markets Deutschland AG & Co. KGaA, and its general partner, Citigroup Global Markets Management AG, were explicitly excluded from this transfer.

In order to retain the Issuer, Citigroup Global Markets Deutschland AG & Co. KGaA, and its 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 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 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.

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 partnership limited by shares (KGaA), which is organised under the laws of Germany.

The Issuer's address is:

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

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

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

5.4 Development of the Issuer

With the exception of the case stated below there have been no recent events particular to the Issuer, which are to a material extent relevant to the evaluation of the Issuer's solvency.

In the fiscal year 2008 the Issuer has conducted an early redemption of a negotiable bond in the amount of DM 100,000,000 (EUR 51,129,188.12) to Citicorp Deutschland GmbH. Such redemption has implied a reduction of the equity capital in a corresponding amount.

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.

6.1.2 Equity, Warrants and Certificates

(a) Warrants and Certificates:

The Issuer underwrites and sells warrants, turbo warrants (knock-out warrants) and derivative certificates (investment products) in Germany, Italy, France, Portugal, the Netherlands, Switzerland and other European 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, 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, off-exchange sales concluded with institutes that are linked to the Issuer's electronic trading system actually exceed revenues generated on stock exchanges.

The main part of the Issuer's equities business are the trading transactions (specifically 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 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); the Japanese Sales Desk (to serve institutional investors on the purchase and sale of Japanese stocks) 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.

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) Sale of structured products and corporate derivatives:

The Issuer also supports its customers in hedging existing financial risks or in solving individual financial issues by brokering structured interest and credit derivatives as well as corporate 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.

(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 Finance

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 preemptive 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 and other advisory related services**.

6.1.5 Global Banking Group

The Global Banking Group has been formed through the combination of the Global Corporate Bank and the Investment Bank. Global Banking delivers, via a single coverage model, Citigroup's global financial services to German corporate, financial institutions and institutional clients and their subsidiaries around the world.

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 preemptive 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.

A key subgroup within Banking is the Global Credit and Network Management Group (GCNM) which supports clients in their financing needs, ensures that the clients' needs and those of its subsidiaries are met by the Issuers network throughout the world. In that function GCNM is working very closely around the globe with the financial institutions belonging to Citigroup.

The Issuer's credit portfolio consists primarily of international customers with the highest credit rating and who are generally in the industrial or financial services sectors.

The Issuer granted approximately EUR 1.4 billion in loans to Russian and Kazakhstan companies in the energy, engineering, oil and financial services sectors. The Issuer has essentially refinanced the risk that these loans will not be serviced in accordance with the contractual obligations (specifically 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.

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 Banking customers, whereby the costs incurred by the Issuer as well as the income generated by the partner companies are allocated via transfer pricing arrangements.

6.1.6 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 handles loans, deposits and currency swaps for selected corporate customers.

6.1.7 Special significance of brokering transactions for other Citigroup companies

The vast majority of the Issuer's brokerage commission income and one of its most important sources of 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.

6.1.8 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 enter-

prises 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 partnership limited by shares, it is managed by the general partner, Citigroup Global Markets Management AG, Frankfurt/Main. Like the Issuer, the general partner is wholly-owned by the German holding company, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, a limited partnership with its registered offices in Düsseldorf.

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 31 December 2008.

The general partner of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is Citigroup Global Markets Finance LLC, Delaware. 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 direct and indirect shareholder of which is Citibank Overseas Investment Corporation, New Castle, Delaware, USA. This company is in turn wholly-owned by Citibank, N.A., New York. Citibank, N.A., New York is a wholly-owned subsidiary of Citicorp Holdings Inc., Delaware, which in turn is a wholly owned subsidiary of Citigroup, Inc., New York.

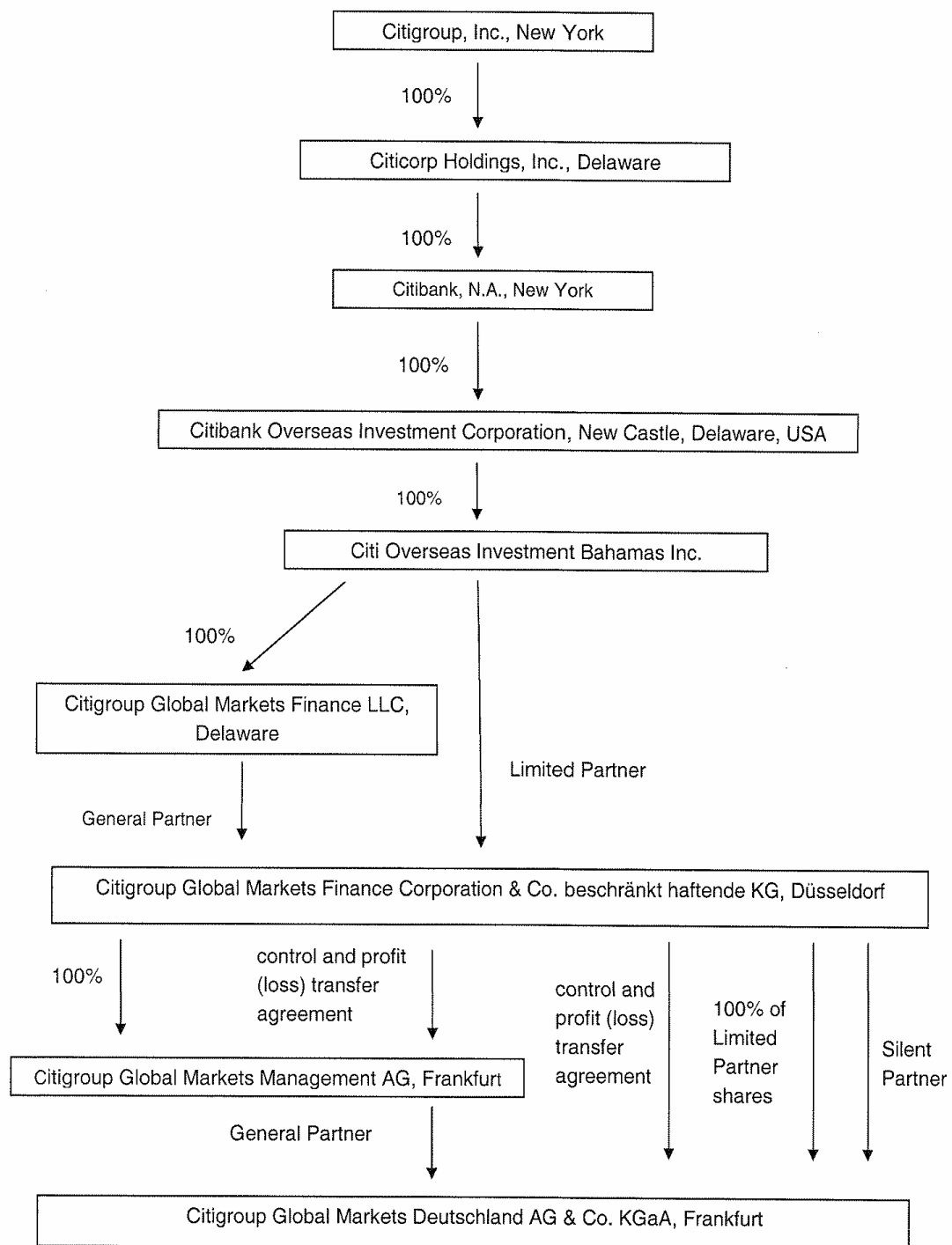
In addition to the integration of the Issuer into the Citigroup Inc. Group, a control and profit (loss) transfer agreement has been executed by the direct parent company and

- (a) the Issuer;
- (b) the Issuer's general partner.

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

Moreover, the Issuer and its general partner are obligated under the relevant agreement to transfer their 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 and the general partner incur during the term of the agreement.

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. 31 December 2008.

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

There are no governmental interventions, legal proceedings or arbitration proceedings pending or threatened against the Issuer, which have been instituted against it and which may have or have had within the last twelve months significant effects on its financial condition or profitability.

In the fiscal year 2008 the Issuer has conducted an early redemption of a negotiable bond in the amount of DM 100,000,000 (EUR 51,129,188.12) to Citicorp Deutschland GmbH. Such redemption has implied a reduction of the equity capital in a corresponding amount.

Since the last financial statements the bank has continued to take a very conservative view on any risk related transactions. Given the current volatile environment it would be unserious to forecast earnings for the fiscal year 2009. As a stand-alone legal vehicle the Issuer has a comfortable capital base. The Issuer is regulated by the German regulator and is committed to provide any kind of requested reporting. The earnings of the Consumer Bank sale have been repatriated within Citigroup as appropriate.

9. PROFIT FORECASTS OR ESTIMATE

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

10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

- (a) **Governing bodies of the Issuer** are the general partner and the supervisory board (see (c) and (d) below).
- (b) **Governing bodies of the general partner** are the executive board and the supervisory board (see (e) and (f) below).
- (c) The **Issuer's general partner** is Citigroup Global Markets Management AG, Reuterweg 16, 60323 Frankfurt am Main.
- (d) The **Issuer's supervisory board** consists of the following members:

Hans W. Reich, Frankfurt am Main, Chairman, having his business address at Reuterweg 16, 60323 Frankfurt am Main

Bradley J. Gans, London, Deputy Chairman, having his business address at Citigroup Global Markets Ltd., Canary Warf, Canada Square, London, United Kingdom

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

(e) The **supervisory board of the general partner** consists of the following members:

Hans W. Reich, Frankfurt am Main, Chairman, having his business address at Reuterweg 16, 60323 Frankfurt am Main

Bradley J. Gans, London, Deputy Chairman, having his business address at Citigroup Global Markets Ltd., Canary Wharf, Canada Square, London, United Kingdom

Andres Recoder, Frankfurt am Main, having his business address at Reuterweg 16, 60323 Frankfurt am Main

(f) The **executive board of the general partner** consists of the following members:

Maurice Thompson, Chairman, Strategy and Business planning

Fred B. Irwin, Business Services, Taxes, Public Relations, e-Banking, Fund Administration

Dr. Paul Lerbinger, Deputy Chairman, Customer Relations and Strategy (Banking)

Dr. Nikolaus Nrger (Co-Head Banking), Corporate Bank Product und Asset Finance Product

Christian Spieler, Fixed Income Product, Share and Warrant Business

Heinz P. Srocke, Risk Control, Market Risk, Credit Risk, Operational Risk, Liquidity Risk (Active-Passive Management), Credit Administration and Accounting

Dieter Visser, Internal Business, Operations, Custodian Bank, IT, Human Resources, Asset Finance Operations, Legal Department and Management Office, will leave the company, effective June 30, 2009. From that point onward, his tasks will be executed by Maurice Thompson.

Stefan Wintels (Co-Head Banking), Investment Bank Product

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

The following persons listed in (d) to (f) above hold the following jobs unrelated to the Issuer, which are significant with respect to the Issuer:

- Hans W. Reich, Member of the supervisory boards of Aareal Bank AG (Chairman), Thyssen Krupp Stahl AG, HUK Coburg Versicherungs AG and HUK Coburg Holding
- Fred Irwin, Member of the supervisory board of IFB AG and Motorola GmbH

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 limited shareholder of the Issuer and its general partner is Citigroup Global Markets Finance Corporation & Co. beschrnkt haftende KG.

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

13. ARRANGEMENTS THE OPERATION 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.

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 2008 and 2007 respectively are included in this Registration Document as a part of the annual report for fiscal year 2008 (pages 20 through 64 of this Registration Document) and 2007 respectively (pages 66 through 109 of this Registration Document). The remaining pages of the annual report for fiscal year 2008 and 2007 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 2008 and 2007, 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 recently completed fiscal year on 31 December 2008 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

Not applicable.

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 ending December 31st 2008 and 2007 respectively.

A hard copy of these documents 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.

19. ANNUAL REPORT 2008

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Citigroup Global Markets Deutschland AG & Co. KGaA

Annual Report for Fiscal Year 2008

Citigroup Global Markets Deutschland AG & Co. KGaA

Management Report for Fiscal Year 2008

Business Development

Citigroup Global Markets Deutschland AG & Co. KGaA (hereinafter referred to as “CGMD”) maintains active business relationships with the approximately 150 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. CGMD specifically supports its clients in

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

In providing this support, it cooperates closely with other subsidiaries of Citigroup Inc., New York (hereinafter collectively referred to as “Citigroup”).

Due to its proven risk management and the above-average credit standing of its client portfolio, CGMD was again able to avoid loan defaults. Nevertheless, write-downs to the face value of sold loan commitments had to be undertaken in the recently completed fiscal year.

The distortions on the financial markets adversely affected our fiscal year 2008. Given the difficult market environment, revenues declined accordingly, particularly those generated from investment banking, the issuance of warrants and trading in fixed income securities.

CGMD was also unable to escape the 2008 ongoing global economic slowdown triggered by the international banking crisis. These events led to a significant drop in earnings.

CGMD is headquartered in Frankfurt am Main and maintains a subsidiary in London as well as a dependent branch office in Munich. At the end of 2008, Citigroup had 550 employees working in Germany, of which 396 worked for CGMD. We would like to express our recognition and thanks to all our employees and advisors for their high level of commitment and the contributions they made.

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

Development of the Macroeconomic Fundamentals

After a favorable start in 2008, the gross domestic product (GDP) shrank significantly over the next three quarters. Despite above-average economic growth of 1.3% (calendar adjusted: 1.0%) in 2008, Germany found itself by the end of the year in the throes of a deep recession as part of the international financial crisis. In addition to a significant decline in exports, domestic demand, particularly for investments, has fallen. Private consumption in 2008 has dropped for the second straight time triggered first by dramatically rising energy and food prices (thereby stifling demand) and then by higher unemployment that weighed down consumer spending.

Market Review

The rapidly deteriorating economic expectations in the aftermath of the US credit crisis together with the dramatic correction in the commodities markets have led to a loss of confidence on the stock markets. The German DAX index closed the 2008 stock exchange year at 4,810 points, which is roughly 40% below the 2007 close, and had thereby fallen to its lowest level since 2004. As an expression of the incipient economic slow-down, the IFO Business Climate Index in December fell to 82.7 points, which represents the lowest level since 2003.

Equity Business & Warrants & Derivatives

Equity Business

Notwithstanding the unavoidable staff reductions, CGMD was able to hold stable its market position in the equities business among institutional clients. Nevertheless, the loss of confidence among investors did lead to diminished transactional turnover. Moreover, the continuing flight from equity fund mandates and the reduced market level did not prove helpful and ultimately manifested itself in declining fee income compared to the previous year.

Warrants and Certificates

In the segment for retail derivatives, 2008 proved to be a difficult year. In the first half of the year, demand focused primarily on commodities and fixed income products, which CGMD had successfully distributed in the primary market. As a result of the Lehman Brothers bankruptcy and the subsequent market trend away from certificates, both primary and secondary markets experienced massive revenue declines. In addition, confidence in American banks diminished, a development that has impacted Citigroup particularly since the fourth quarter. This is also reflected in the market shares, which have been slipping in almost all European countries for a number of months. The overall market environment, together with the high volatility and the special circumstances in 2008 as discussed above, have led to a significant reduction in CGMD's bottom line.

In recent months, a variety of new programs have been implemented to improve the Citi trading platform. These programs will strengthen our secondary market trading in 2009. Moreover, the global restructuring into a Cross-Asset Unit will allow us to market and distribute additional products/asset classes through our platform. Therefore, despite the difficult market environment, we expect that in 2009 this segment make a growing contribution to earnings and will increase market share.

Capital Market Activities and Interest-Rate related Client Business

Within Citigroup, CGMD once again in fiscal year 2008 provided support for numerous issuers in the corporate and financial sectors in connection with the placement of international issues. The institutions it advises are banks, insurance carriers and companies in the public sector. With an underwriting volume of over EUR 17 billion, CGMD continues to rank among the leading underwriters in Germany.

Over the past year, Citigroup successfully performed the following selected strategic issues as lead manager for German, Austrian and Swiss issuers:

• Deutsche Postbank Pfandbrief	EUR 1.5bn	Benchmark 2008/2013
• KA Kommunalkredit Austria	EUR 1.0bn	Benchmark 2008/2012
• Allianz Senior Benchmark	EUR 1.5bn	Benchmark 2008/2013
• L-Bank Benchmark	EUR 1.5bn	Benchmark 2008/2013
• Deutsche Bank AG. Trust. Pref. Sh.	USD 1.9bn	Benchmark 2008
• Deutsche Bank AG. Trust. Pref. Sh.	USD 1.1bn	Benchmark 2008
• Deutsche Postbank Pfandbrief	EUR 1.0bn	Benchmark 2008/2015
• Allianz Tier 1	EUR 1.5bn	Benchmark 2008
• Credit Suisse Tier 1	USD 1.0bn	Benchmark 2008
• Nord LB Pfandbrief	EUR 1.0bn	Benchmark 2008/2013
• BMW US Capital LLC	EUR 1.75bn	Benchmark 2008/2015
• BMW (UK) Capital plc	JPY 42.9bn	Benchmark 2008/2013
• Philip Morris International	EUR 750m	Benchmark 2008/2015
• Philip Morris International	EUR 1.0bn	Benchmark 2008/2011
• Philip Morris International	USD 1.25bn	Benchmark 2008/2014
• Metro Finance B.V.	EUR 500bn	Benchmark 2008/2013

Structured Products 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 in placing credit derivative and interest rate transactions, which are individually tailored to meet the requirements of our clients. Despite the difficult and sometimes declining market environment, Citigroup will continue to attempt to expand its existing customer base and offer innovative products in 2009.

Foreign Exchange

The foreign exchange business with large companies and institutional investors was affected primarily by the volatility on the currency markets, which increased dramatically in the second half of the year. By virtue of our long-standing presence on the Frankfurt financial scene and our loyal customer relations, we were able to achieve excellent results in this sub-segment in 2008.

Corporate Business

The volume in equity issues (including convertible or exchangeable bonds) dropped off significantly in 2008. Particularly in the last quarter of 2008, the difficult capital market environment led to a considerable decline worldwide in the number of public offerings and IPO volumes. This development was seen in the German market as well. The volume of equity issues on the market in 2008 was less than one-half the volume of equity issues reported in 2007, and the number of transactions plummeted by approximately 74%⁽¹⁾.

Some examples of the transactions which CGMD supported in 2008 include:

- Convertible bonds of TUI / TUI Travel (approx. EUR 450m)
- IPO of SMA Solar Technology (approx. EUR 362)
- Convertible bonds of Qimonda (approx. EUR 162m)

In 2008, the volume of M&A transactions that were announced worldwide declined by approx. 30% to a value of USD 2,936bn⁽¹⁾. The number of transactions valued in excess of USD 1bn fell considerably (approx. 38%) from the 2007 levels. Germany also saw a significant drop in M&A activity from the previous year, which can be attributed above all to the capital market environment and the related higher uncertainty during the course of the year.

Despite the extremely difficult market environment, Citigroup was able to further improve its market share and advised its clients on many national (Germany, Austrian, Switzerland) and cross-border transactions.

The following sample transactions are worth mentioning for 2008:

- Sale of 20% of Endesa Italia to E.ON (approx. EUR 11.3bn)
- Sale of Citibank Privatkunden AG by Citigroup to Crédit Mutuel (approx. EUR 4.9bn)
- Sale of Hapag-Lloyd by TUI to an investor group out of Hamburg (approx. EUR 4.5bn)
- Acquisition of HSB Group by Münchener Rückversicherung (approx. EUR 533m)
- Acquisition of EnAlphin by Energiedienst (approx. EUR 383m)
- Sale of 35.6% holding in Inotera by Qimonda to Micron (approx. EUR 296m)
- Purchase of 10% of Kamaz by Daimler (approx. EUR 190m)

Given the continuing challenges faced by the world economy and the global financial markets, a decline in the volume of both global and German equity issues, initial public offerings and M&A transactions is likewise expected. It also remains to be seen as to when the equity markets will begin to recover as capital increases through the issuance of equity-linked or subscription rights are used for corporate financing.

Note: (1) Source is Thomson Financial per December 31, 2008.

Global Transaction Services

Global Transaction Services (hereinafter referred to as “GTS”) offers innovative solutions in Cash Management, Trade Services 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, Citigroup offers its clients solutions that are not just local but also cross-border and integrated.

In fiscal year 2008, Cash Management remained a major element contributing to the value of the GTS business segment in Germany, having achieved a growth rate of 4% in a turbulent environment.

The Treasury and Trade Solutions Management Team was permanently strengthened in 2008 through the appointment of a Treasury and Trade Solution Head and a Cash Management Product Manager Germany.

Crucial support to this commitment to expanding the position of the Cash Management business in Germany as a local business came from the successful launch of the SEPA Credit Transfers in Germany and the contemporaneous integration in the regional and global infrastructures of Citigroup. At the same time in 2008, the course was set for a successful launch of SEPA Direct Debits in Germany at the end of 2009.

Securities Settlement and Custody Services was also able to close out 2008 on a successful note. Despite the difficult macroeconomic environment, the transaction volume rose by almost 20%. This development is attributable both to the success achieved in acquiring new clients and to the increase in trading activity of our existing clients, both on the established stock exchanges as well as on the new alternative European trading platforms.

The segment Fund Services is becoming more and more important. In this respect, CGMD discontinued the limited Custody Bank Services segment and is now, in line with general market expectations, concentrating on the business with international fund managers.

By further improving efficiencies and expanding its product range to meet customer need, CGMD sees itself well-positioned for 2009 to meet the complex fund requirements in Germany using the most modern systems and settlement structures.

Treasury

The global economic slide accelerated significantly in the fourth quarter of 2008. Beginning with the subprime crisis which started in the United States and Great Britain in 2007, all asset classes and economic regions in the world have gradually become embroiled in the problems of the collapsing asset values.

The bankruptcy of US investment firm Lehman Brothers in September 2008 only accelerated the process. This event helped trigger major distortions in the international equities markets and a deep crisis of confidence in the financial industry, which was only aggravated by the fact that many financial institutions realized their historical loss and write-off potentials. Analogously, a new model for assessing the credit standing of banks, insurance carriers and the credit processing industry emerged which, in turn, produced a significant spike in credit spreads.

Shortly thereafter many early macroeconomic indicators (consumer confidence, new industrial orders, etc.) began collapsing and in some cases hitting historical lows, which then pointed to a deep recession on a global scale. Every economic region therefore confronted a downturn in economic activity or annualised negative growth. A reverse trend has not yet emerged, but is expected no earlier than the fourth quarter of 2009. In this connection, another problem appears to be the sovereign debt of various southern European Member States of the European Union as well as a number of eastern European countries, which is the result, on the one hand, of significant structural deficits and, on the other hand, the launch of economic programs.

Through targeted intervention, governments and central banks throughout the world are attempting to calm the markets. The economic stimulus programs launched by governments are finding support in the continued relaxation of monetary policies at the central banks. Prime rates were reduced drastically, and the entire range of monetary tools was deployed in order to stabilize financial markets. Since October 2008, the ECB has lowered its main refinancing rate by a total of 3.0 percentage points to 1.25%.

As a consequence of centralizing European liquidity management, CGMD is conceptually very well positioned, and the refinancing of the entities belonging to the group is guaranteed at all times. During the recently completed fiscal year, Treasury was able to make a positive contribution to overall development through active asset and liability management.

In 2009, Citigroup will cultivate its very extensive and regular contacts with the central banks and supervisory authorities in Europe. In addition, our experts participate actively in various associations and working groups in order to make a meaningful and positive contribution to the framework of the banking industry. Citigroup believes that this involvement puts it in a good position to anticipate new developments in a timely manner and to adapt our overall structure to potential innovations in a way that best meets the interests of our clients.

Risk Management

Overview

The organizational structure and risk management processes are set forth in detail in the “Credit, Market and Operational Risk Policies” introduced by Citigroup. These policies have also been adopted by CGMD.

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

- warrants
- issuance of investment certificates
- 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, 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.

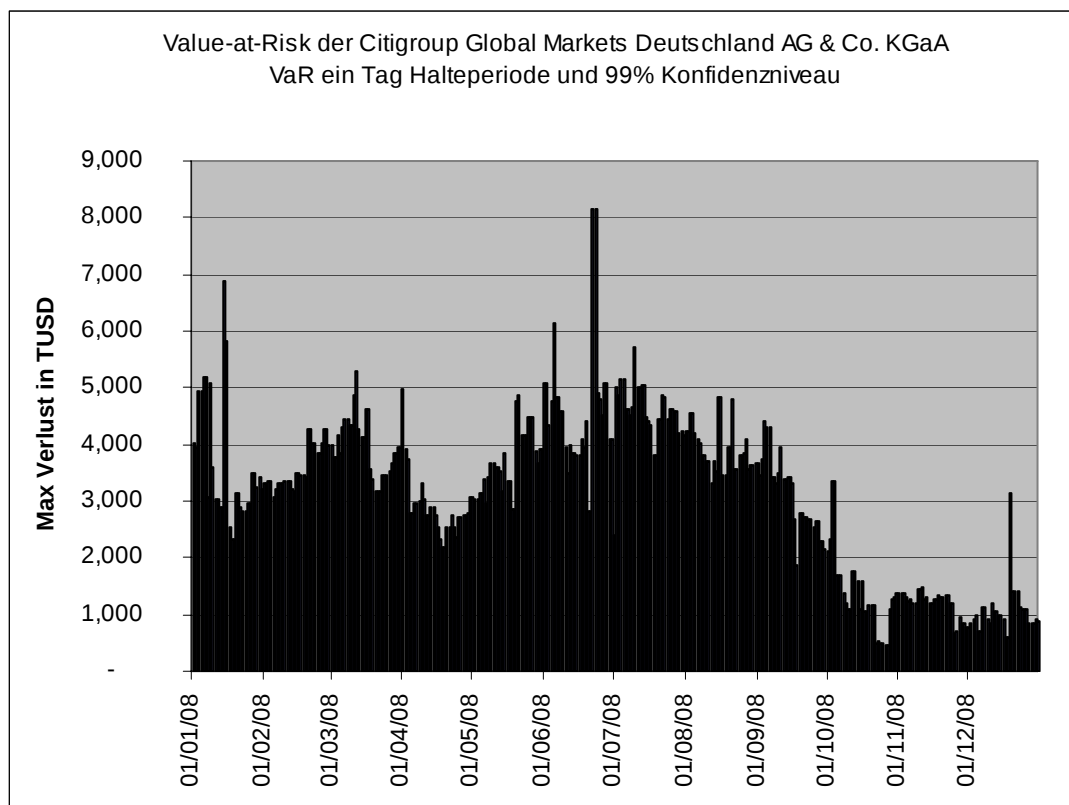
In addition, we quantify the loss potential of each market factor and calculate the “value at risk”, taking into account the correlation between the market factors. The “value at risk” quantifies the maximum loss to be expected from a trading book during a holding period of one day and with a confidence 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 Citigroup 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.

Chart Title: “Value-at-Risk of CGMD AG & Co. KGaA / VaR One-Day Holding Period and 99% Confidence Level”

[the chart shows the maximum losses in TUSD over calendar year 2008]



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 Citigroup 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 are being observed. Monitoring is performed per product (“traded product” or “non-traded product”) and is carried out by a department that operates inde-

pendently 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.

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 focus on investment banking, 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 roles and responsibilities, as well as the documentation are defined in accordance with the applicable Citigroup 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.

Implementation of the Minimum Requirements for Risk Management

In October 2007, the German Federal Financial Supervisory Authority (the *Bundesanstalt für Finanzdienstleistungsaufsicht* or "BaFin") defined minimum requirements for risk management (hereinafter referred to as "MaRisk"). Whereas the existing minimum requirements for the trading business (hereinafter referred to as "MaH"), the credit business (hereinafter referred to as "MaK") and internal auditing (hereinafter referred to as "MaIR") focused only on individual segments of the business and risk categories, the MaRisk follow a holistic approach and also take into account operational and liquidity risk. In addition, financial institutions must ensure that potential operational risks are covered with sufficiently large economic capital.

For both of its Frankfurt entities – CGMD and Citibank, N.A. New York, Frankfurt branch – the Bank set up a consolidated document that specifies how the MaRisk are implemented into guidelines applicable to both entities. These guidelines are based largely on the strategies of the business units and the related risk tolerance analysis.

The resulting calculation of the economically required capital is intended to cover all potential risks of the relevant business unit, classified according to operational risk, market risk, liquidity risk and credit risk. The risk capital limits derived therefrom are shown per business unit and risk category. As an example, the calculation as of the end of 2008 is set forth below:

Amount in USD millions per end of December, 2008	Credit risk	Market risk	Liquidity risk	Operational risks	Total risks
Capital Market & Banking	145	-	28	68	241
Global Transaction Services	2	-	-	1	3
Global Corporate & Investment Banking	147	-	28	69	244

Development of Net Assets, Financial Condition and Results of Operation

As of December 31, 2008, the total assets of CGMD increased by EUR 4,594.0m over the previous year to EUR 20,551.2m.

The largest single balance sheet items were “receivables from banks”, which amounted to EUR 15,751.1m (2007: EUR 10,159.7m), “liabilities owed to banks”, which amounted to EUR 14,554.5m (2007: EUR 7,372.4m), “receivables from customers”, which amounted to EUR 1,579.0m (2007: EUR 1,782.0m) and “securitized liabilities”, which amounted to EUR 2,117.7m (2007: EUR 3,757.1m). “Securitized liabilities” consist of USD loan participation notes equaling EUR 963.9m that were issued as credit linked notes in order to hedge specific USD-denominated receivables from customers and banks. This item also includes listed index and equity certificates totaling EUR 1,153.8m.

Debt securities issued by government institutions and bonds and other fixed-interest securities were reported at EUR 20.8m (2007: EUR 123.5m). Of this amount, EUR 20.8m are eligible for use as collateral at the European Central Bank. This item was lower because securities matured and were sold, inasmuch as the Bank relies on other instruments in managing its liquidity.

The other assets and other liabilities result largely from the warrants business and include the premiums yielded from these transactions.

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 December 31, 2008, the Company’s equity capital (including the loss allocation to the silent partners) equaled EUR 568.6m (2007: EUR 586.9m), and includes a silent partnership contribution of EUR 104.4m (2007: EUR 122.7m).

The liabilities based on guarantees and warranties dropped to EUR 477.6 (2007: EUR 552.4m).

Irrevocable lines of credit totaled EUR 661.3m (2007: EUR 968.6m).

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

As a rule, the CGMD refinances itself almost exclusively by borrowing funds from financial institutions and affiliated enterprises of Citigroup. Because the European liquidity management was cen-

tralized, CGMD was able to report high liquidity as of the balance sheet date, and invested the cash under a deposit facility held at the German Bundesbank (German Central Bank). 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 2008, CGMD reported a loss (before transferring it to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG) of EUR 49.3m (2007: profit of EUR 33.4m).

Because of the continuing turbulence on the international capital markets, the net interest income fell to EUR 84.2m (2007: EUR 94.9m). Due to higher dividend payments received, the current income from shares and equity investments increased to EUR 29.0m (2007: EUR 28.8m).

Commission income rose by EUR 66.5m to EUR 122.7m (2007: EUR 189.2m). 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 as well as from the Equity and Equity Derivatives Division. They also include commissions from securities transactions and Eurex products. The decline in income is mainly attributable to the crisis on the financial markets and the related drop in business as well as a change in the calculation method for allocating income within Citigroup.

In the recently completed fiscal year, the Bank had to book a net loss from financial trading operations in the amount of EUR 45.7m (2007: net loss of EUR 11.8m), which is attributable to the equities, warrants and certificates business. Here as well, the situation on the international financial markets adversely affected income.

Personnel expenses rose by EUR 3.5m to EUR 132.6m (2007: EUR 129.1m) as a result of higher restructuring provisions totaling EUR 40.5m.

The other administrative expenses declined by EUR 5.9m to EUR 96.2m (2007: EUR 102.1m), which is due mainly to lower rent payments, custody fees and declining costs for information services.

The losses 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 31.0m) and to the silent partners (in the amount of EUR 18.3m).

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 fiscal year 2008 and fiscal year 2007, which reveals the business development of Citigroup Global Markets Deutschland:

	2008	2007	Change	
	EUR m	EUR m	EUR m	%
Balance sheet total	20,551	15,957	4,594	28.8
Business volume	21,690	17,478	4,212	24.1
Equity capital	569	587	-18.3	-3.1
Loan volume	19,492	15,420	4,071	26.4
Number of employees	396	435	-39	-9

	2008	2007	Change	
	EUR m	EUR m	EUR m	%
Interest income from operations	84	95	-11	11.3
Commissions from brokerage business	70	139	-69	50.0
Commissions from securities business	20	20	0	0
Net income from financial operations	-46	-12	-34	-286.3
General administrative expenses	229	231	2	-1.1

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

	Dec 31, 2008	2007	Change
	EUR m	EUR m	EUR m
Subscribed capital			
Share capital	210.6	210.6	-
Silent partnership capital	104.4	122.7	18.3
Capital reserves	192.8	192.8	-
Legal reserve	32.9	32.9	-
Other earnings reserves	27.9	27.9	-

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

	Dec 31, 2008	2007
	EUR m	EUR m
Equity capital on balance sheet	568.6	586.9
Less		
Intangible assets	-2.7	-3.3
Core capital	565.9	583.6
Supplemental capital	0.0	51.1
Equity capital	565.9	634.7
Capital ratios		
Tier 1 capital in %	18.7	15.0
Total capital ratio in %	18.7	16.3

Outlook

The global recession will continue to have a negative impact on the German economy in 2009. According to forecasts made by Citi Economic and Market Analysis, Germany's GDP is expected to decline by 5% this year, the largest single drop in the post-war period. In the opinion of Citi economists, the main contributing factor to the decline in the GDP in 2009 will be a dramatic 15.1% drop in exports. In addition to a slump in the export business, more restrictive financing terms will hamper domestic investments and also lead to another jump in unemployment. Citi economists project that on an average annual basis, the unemployment rate will climb to 9.2% in 2009 compared to 7.8% in 2008. Despite a significant increase in unemployment and a dramatic rise in short-time work, our economists still predict a slight increase in private consumption. Households can benefit not only from a considerable drop in inflation, but also from government support. The government economic stimulus packages that have been enacted should help stabilize the overall economic activity in the second half of 2009. These programs will, however, probably also inflate the budget deficit to 3.7% of GDP. The economic outlook remains very uncertain primarily because of the ongoing financial and banking crisis.

In order to stabilize the economy, most governments in the major Western industrial countries have strung together economic packages. Even in Germany, the government in early 2009 launched another 50bn-euro program to stimulate the economy. Moreover, in many countries including Germany and France, government initiatives have been launched to help ease the financing conditions by providing guarantees for companies to limit the effect of the credit crunch on their investments or by expanding the bank rescue packages to help ease financing terms and conditions. In our opinion, these programs should probably help stabilize the economy and relieve the financial markets in the mid-term. However, the programs are too little and too late to bring about a quick conclusion to the deep recession in these countries. Moreover, these actions are intended merely as temporary measures and will be wound down in the coming years, which will probably lead to renewed setbacks for the world economy.

Nevertheless it is important to emphasize that Citigroup is expecting that the global economy will recover at the end of 2009 thanks to the massive support provided by fiscal and monetary policy. Since the stimulus actions taken for the US economy are stronger than those taken in Euroland, we expect a quicker recovery in the United States (despite the more pronounced economic problems there) than in Europe where the situation will probably only stabilize by the end of 2009.

Given the continuing challenges faced by the world economy and the global financial markets, a decline in the volume of both global and German equity issues, initial public offerings and M&A transactions is expected for 2009. It also remains to be seen as to when the equity markets will begin to recover as capital increases through the issuance of equity-linked or subscription rights are used for corporate financing.

Despite a difficult market environment in fiscal year 2009, CGMD Deutschland expects the Warrants and Certificates segment to make a positive contribution to earnings as a result of a variety of new implemented programs to improve the trading platform, which strengthen the secondary markets and as a result of the global restructuring into a Cross-Asset Unit.

In Fixed Income and in brokering interest and credit derivatives, the Bank will continue to attempt in 2009, despite the difficult and in part declining market environment, to build its client base and offer innovative products.

CGMD sees its Global Transaction Service (GTS) segment optimally positioned for 2009. With further improvements in efficiency and the expansion of the product range linked to customer needs, GTS is well-prepared to face the complex requirements of the securities business in Germany, using the most modern systems and settlement structures.

Citigroup will continue to use its financial strength and its presence in over 100 countries worldwide in the best interests of its clients. CGMD is part of the Citigroup business unit, which emerged from the company's restructuring and into which the core business fields were bundled. The business of the Bank is therefore an integral part of the Group's corporate strategy (which also includes the risk strategy). The success of a business relationship with a client is measured on a firm-wide basis in terms of "return on risk capital", a financial performance indicator for business relationships with clients. Therefore, the earnings of CGMD are not considered in isolation. Instead, all interest-rate, commission and trading ("cross selling") revenues generated from all relationships that Citigroup maintains with a client - adjusted by the respective product costs - are compared to the economic capital tied up for this purpose.

Based on this strategic concept, CGMD will continue to contribute to the ongoing expansion of the corporate, investment and transaction banking business of Citigroup in Germany.

In light of the restructuring and cost optimization programs launched, the Bank is expecting satisfactory results for the current fiscal year.

Future Risks and Opportunities

It is a fact that the current crisis has revealed more than ever the major differences in the public finances of the Member States of the European Monetary Union (EMU). While the market in the past has paid little attention to these differences, recent changes in investors' general willingness to assume risk has dramatically increased the risk premiums for a number of states with high debt and/or deficit ratios. Despite the "no bailout" clause in place, Citigroup assumes that European institutions will attempt to support those distressed Member States in order to avoid a possible default.

In our view a default by an EMU Member State will be very costly both for the country in question and for the other Member States. This will be true whether the country in question leaves the European Union or stays with the euro.

If a defaulting state remains in the EMU, the financing costs for the remaining sovereign debt and the private sector debt would increase considerably and thereby trigger a protracted phase of economic weakness. If a Member State defaults, one could expect that the spreads for other Member States with similarly strained public finances will continue to rise and that the likelihood that these Member States will default will also increase. This kind of development would also harm Member States with solid public finances inasmuch as they would be dragged down by the declining export of goods in defaulting states.

Even if a defaulting state leaves the Union (a matter not covered under the EMU rules), costs would arise. The relevant country would benefit, however, from a significant devaluation, which would both increase its competitiveness and attract foreign investment.

The devaluation, however, would significantly increase the euro-based private sector debt load and thereby usher in a long period of weakness. As in the case of a defaulting country remaining in the EMU, if a Member State were to leave the Union, the increasing spreads in the remaining EMU States and their threatened departure would produce costs. The upward revaluation of the euro in relation to the third party currency would also create cost pressures for them.

In light of this high financial cost that would result from the default of a Member State (the political costs are not included here), we assume that the European institutions will attempt to undertake stabilising measures. Since in our opinion the European Central Bank (ECB) does not have any mandate for such activities, the Member States and EU Commission will be required to exploit its latitude in order to provide support to the financially distressed countries, without violating the "no bailout" clause. Even though we do not expect that the Member States will reach an agreement about issuing a common or joint euro bond, we rather expect there to be support measures undertaken by the Commission or on a bilateral level.

In view of the restructuring and cost optimisation measures taken by Citigroup, CGMD sees an opportunity to develop favourably in the coming year. Given its close integration in the Citigroup network, CGMD should be able to profit from recovering business activities both in and out of Europe.

By virtue of the strong economic links to other units within Citigroup, the continued progress of CGMD will closely track the economic development of Citigroup.

Financial Statements

**Notes to the Financial Statements for Fiscal Year 2008
and other information**

Balance Sheet as of December 31, 2008
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

A s s e t s				
	EUR	EUR	EUR	2007: TEUR
1. Cash reserve				
a) Petty cash		270,24		5
b) Credit balances held at central banks		<u>72.114.697,06</u>		24.487
of which: at the German Bundesbank (German Central Bank)				
EUR <u>72.114.697,06</u> (2007: TEUR <u>24.487</u>)				
c) Credit balances held at post giro offices		<u>-,-</u>	72.114.967,30	-
2. Receivables from banks				
a) Due upon demand		3.188.529.156,82		4.221.137
b) Other receivables		12.562.541.394,66	15.751.070.551,48	5.938.532
3. Receivables from customers			<u>1.578.953.487,21</u>	1.781.977
of which: secured by mortgages or other real property				
security interests	EUR <u>-,-</u> (2007: TEUR <u>-</u>)			
Municipal loans	EUR <u>-,-</u> (2007: TEUR <u>-</u>)			
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	<u>-,-</u>			-
ab) issued by others	<u>-,-</u>	<u>-,-</u>		-
b) Bonds and debt securities				
ba) issued by government institutions		<u>20.773.853,03</u>		123.521
of which: eligible as collateral with the German				
Bundesbank	EUR <u>20.773.853,03</u> (2007: TEUR <u>123.521</u>)			
bb) issued by others		<u>-,-</u>	20.773.853,03	-
of which: eligible as collateral with the German				
Bundesbank	EUR <u>-,-</u> (2007: TEUR <u>-</u>)			
c) Bank's own debt securities		<u>-,-</u>	20.773.853,03	-
Face value	EUR <u>-,-</u> (2007: TEUR <u>-</u>)			
5. Equities and variable-yield securities			<u>1.222.501.756,09</u>	1.712.951
6. Equity investments			<u>367.944,56</u>	368
of which: in banks	EUR <u>217.842,30</u> (2007: TEUR <u>218</u>)			
in financial services	EUR <u>-,-</u> (2007: TEUR <u>-</u>)			
institutions				
7. Trust assets			<u>-,-</u>	24.872
of which trust loans	EUR <u>-,-</u> (2007: TEUR <u>24.872</u>)			
8. Intangible assets			<u>2.682.799,17</u>	3.328
9. Tangible assets			<u>7.461.070,07</u>	9.618
10. Other assets			<u>1.895.188.162,34</u>	2.116.368
11. Prepaid and deferred items			<u>71.656,97</u>	29
Total Assets			20.551.186.248,22	15.957.193

		Liabilities and Equity Capital		
	EUR	EUR	EUR	2007: TEUR
1. Liabilities owed to banks				
a) Payable on demand		2.890.920.340,69		2.137.863
b) Having an agreed term or notice period		11.663.565.249,65	14.554.485.590,34	5.234.514
2. Liabilities owed to customers				
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	1.037.410.509,69			1.289.371
bb) having an agreed term or notice period	90.969.130,04	1.128.379.639,73	1.128.379.639,73	210.406
3. Securitized liabilities				
a) Debt securities issued		963.893.558,23		1.398.480
b) Other securitized liabilities		-,-		-
of which:				
money market paper EUR -,- (2007: TEUR -)				
own acceptance and promissory notes outstanding EUR -,- (2007: TEUR -)				
c) Miscellaneous securitized liabilities		1.153.765.916,97	2.117.659.475,20	2.358.639
4. Trust liabilities			0,00	24.872
of which: trust loans EUR -,- (2007: TEUR 24.872)				
5. Other liabilities			1.963.909.423,98	2.429.492
6. Deferred items			79.752,45	84
7. Accrued liabilities				
a) Pensions and similar obligations		128.431.839,36		120.984
b) Tax accruals		1.251.676,59		33.810
c) Other accrued liabilities		88.449.184,01	218.132.699,96	80.680
8. Subordinated liabilities			-,-	51.129
10. Equity capital				
a) Subscribed capital				
aa) registered share capital	210.569.889,00			210.570
ab) silent partner capital	104.380.233,00	314.950.122,00		122.710
b) Capital reserve	192.745.810,70	192.745.810,70		192.746
c) Earnings reserves				
ca) legal reserve	32.927.197,15			32.927
cb) reserve for treasury shares	-,-			-
cc) reserves required by the articles of association	-,-			-
cd) other earnings reserves	27.916.536,71	60.843.733,86		27.916
d) Unappropriated earnings/loss		-,-	568.539.666,56	-
Total Liabilities and Equity Capital			20.551.186.248,22	15.957.193

	EUR	EUR	2007: TEUR
1. Contingent liabilities			
a) Contingent liabilities from credited but uncleared bills of exchange	-,-		-
b) Contingent liabilities from guarantees and warranty commitments	477.637.423,02		552.362
c) Contingent liabilities from security provided on behalf of third parties	-,-	477.637.423,02	-
2. Other obligations			
a) Commitment under fictitious repurchase (repo) agreements	-,-		-
b) Placement and underwriting commitments	-,-		-
c) Irrevocable lines of credit previously granted	661.260.460,89	661.260.460,89	968.572

Statement of Income
for the period January 1 through December 31, 2008
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

	EUR	EUR	EUR	2007: TEUR
1. Interest income from				
a) Loans and money market transactions	<u>491.644.038,33</u>			542.118
b) Fixed-income securities and debt register claims	<u>2.291.885,16</u>	<u>493.935.923,49</u>		19.977
2. Interest expenses		<u>409.768.014,07</u>	<u>84.167.909,42</u>	467.179
3. Current income from				
a) Shares and other variable-yield securities		<u>28.962.548,29</u>		28.360
b) Equity investments		<u>31.448,70</u>		404
c) Interests in affiliated enterprises		<u>- , --</u>	<u>28.993.996,99</u>	-
4. Commission income		<u>122.650.053,57</u>		189.244
5. Commission expenses		<u>4.735.974,74</u>	<u>117.914.078,83</u>	7.312
6. Net income from financial trading operations		<u>./. 45.663.823,54</u>		/. 11.820
7. Other operating income			<u>13.908.152,62</u>	13.887
8. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	<u>114.124.162,70</u>			111.338
ab) social security contributions, pension and welfare expenses	<u>18.436.601,80</u>	<u>132.560.764,50</u>		17.759
of which: for pensions	EUR 10.843.874,07 (2007: TEUR 11,033)			
b) Other administrative expenses		<u>96.190.475,21</u>	<u>228.751.239,71</u>	102.143
9. Amortization, depreciation, and write-down of tangible and intangible assets			<u>4.736.496,73</u>	4.387
10. Other operating expenses			<u>3.405.193,79</u>	2.874
11. Write-downs of and provisions for receivables and certain securities and additions to loan reserves		<u>1.856.554,83</u>		1.211
12. Income from reversal of write-downs of receivables and certain securities and income from reversal of loans reserves		<u>- , --</u>	<u>/. 1.856.554,83</u>	-
13. Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities		<u>124.434,18</u>		863
14. Income from the reversal of write-ups of equity investments, interests in affiliated enterprises and long-term securities		<u>1.181.430,91</u>	<u>1.056.996,73</u>	-
15. Results from ordinary operations		<u>./. 38.372.174,01</u>		67.104

	EUR	EUR	EUR	2007: TEUR
16. Income taxes		10.927.820,45		33.666
17. Other taxes, to the extent not included under item 10		-,-	10.927.820,45	-
18. Income from loss transfers			49.299.994,46	-
19. Profits transferred pursuant to profit pooling, profit transfer or partial profits transfer agreement			-,-	33.438
20. Annual net income for 2008			-,-	-
21. Profit carried forward/ loss-carry forward from 2007			-,-	-
22. Transfers from capital reserves			-,-	-
23. 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		-,-	-,-	-
24. Transfers from capital with participation rights			-,-	-
25. 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		-,-	-,-	-
26. Replenishment capital with participation rights			-,-	-
27. Unappropriated earnings (balance sheet profit)			-,-	-

Citigroup Global Markets Deutschland AG & Co. KGaA

Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2008

Citigroup Global Markets Deutschland AG & Co. KGaA ("CGMD") is a partnership limited by shares ("KGaA") with its registered offices in Frankfurt am Main, Germany. CGMD is recorded in the commercial register of the District Court of Frankfurt am Main under registration number HRB 57295.

1. Accounting and Valuation Methods

The annual financial statements for fiscal year 2008 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.

Citigroup Global Markets Deutschland AG & Co. KGaA adheres to the requirements set forth in § 252 (1) of the HGB regarding the valuation of **derivative transactions**. Citigroup Global Markets Deutschland AG & Co. KGaA values the foreign currency and other price risks, which are inherent in its trading books, on the basis of accepting, hedging and transferring risks. Therefore, the risk-offsetting effects of individual transactions in a trading book can be valued only when taking into account all transactions within that portfolio. Accordingly, the items making up the trading book are not measured individually. Instead, the trading books together are seen as a single valuation unit.

Foreign Currency Risk Trading Book

Forward exchange and option transactions are valued on the basis of the provisions set forth in § 340 h HGB and the opinions BFA 2/1995 and BFA 3/1995 issued by the Banking Committee of the German Institute of Auditors (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) as follows:

Gains or losses from any forward exchange transactions are calculated by comparing the transaction rate with the relevant forward rate as of the balance sheet date.

Purchased and written options are measured at their respective market price or fair value. Gains or losses on these transactions are calculated by comparing the market values on the balance sheet date with the premiums paid or received.

The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Other Price Risks Trading Book

Shares and other variable-yield securities in the trading portfolio as well as index-linked debt securities and share discount certificates are stated at their respective market price or fair value. Gains or losses are calculated by comparing the acquisition costs with the market value. The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Stock options and index options are stated at market price or fair value. Gains or losses on such trades are calculated by comparing the difference between the market value on the balance sheet date and the premiums paid or received. The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Forward transactions in equities and indices are marked to market. The profits or losses are reflected as the difference between the market values and the relevant contracted price based on the underlying instrument.

Interest-rate derivatives

In connection with hedging the risks related to changes in the interest rates, the Bank entered into certain interest-rate futures. These futures are marked to market. The profits or losses are reflected as the difference between the market values and the relevant contracted price based on the underlying instrument.

Treasury

Money market transactions are recognized at their face value or settlement amount. Money market transactions in foreign currencies are measured on the basis of § 340 h HGB and in accordance with opinion BFA 3/1995 issued by the banking committee of the German Institute of Auditors.

Bonds and debt securities are stated at the lower of cost or market value.

Option premiums paid and received are marked to market and recorded on the balance sheet until maturity or until the options are exercised.

Issued **Index-linked and equity-linked debt securities** are entered on the balance sheet as “other securitized liabilities”. Repurchased index-linked and equity-linked debt securities are entered on the balance sheet at their redemption value under “equities and other variable-yield securities”.

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

Receivables from customers are recorded at their nominal value plus accrued interest less any allowances established to cover loan-related risks.

Long-term securities are stated at the lower of acquisition cost or fair value as prescribed in § 253 (2) HGB.

Equity investments are stated at their cost of acquisition.

Intangible assets 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 customers are stated at face value plus accrued interest.

Pension accruals have been calculated in accordance with tax-based procedures using the entry-age-normal method (*Teilwertmethode*) and assuming an annual discount rate of 6 % and the current mortality tables (Heubeck RT 2005 G).

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.

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.

Due to changes to the calculation method in transfer pricing and declining business volume caused by the situation on the international capital markets, there was a noticeable drop in commision income compared to the previous year.

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 (the ESCB-reference 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	
	Additions					Additions			
						(Disposals)			
	Dec. 31, 2007	(Disposals)	Transfer	Dec. 31, 2007	Additions	Dec 31. 2007	Transfer	Dec. 31, 2008	Dec. 31, 2007
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets	6,998	237	-	-	-	3,670	882	2,683	3,328
Office and plant equipment	20,211	1,393 (352)	-	-	-	16,656	1,625 (345)	3,316	3,555
Leasehold Improvements	23,032	61 (16)	-	-	-	17,080	2,229 (10)	3,778	5,952
Construction in progress	111	320 (64)	-	-	-	-	-	367	111
Equity investments	368	-	-	-	-	-	-	368	368
Long-term securities	140,136	6,885	21	15,301	-	15,301	124	146,918	138,995
Total	190,856	8,896 (432)	21	15,301	-	52,707	4,860 (355)	157,430	152,269

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	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
a) payable on demand	3,188,529	4,198,301
b) up to three months	12,401,850	5,518,886
c) more than three months and up to one year	34,981	285,100
d) more than one year and up to five years	36,638	40,585
e) more than five years	71,855	69,196
accrued interest	<u>17,218</u>	<u>47,601</u>
	<u>15,751,071</u>	<u>10,159,669</u>

Receivables from customers	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
a) up to three months	1,013,095	402,502
b) more than three months and up to one year	533,846	51,066
c) more than one year and up to five years	1,500	1,037,174
d) more than five years	0	251,225
accrued interest	<u>30,512</u>	<u>40,010</u>
	<u>1,578,953</u>	<u>1,781,977</u>

Liabilities owed to banks	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
a) payable on demand	2,890,921	2,137,863
b) up to three months	11,663,566	5,206,886
c) more than three months and up to one year	-	-
d) more than one year and up to five years	-	-
accrued interest	<u>889</u>	<u>27,628</u>

<u>14,554,486</u>	<u>7,372,377</u>
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Liabilities owed to customers

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
payable on demand	1,037,411	1,288,854
a) up to three months	60,437	140,353
b) more than three months and up to one year	0	34,203
c) more than one year and up to five years	29,144	33,121
e) more than five years	0	1,023
accrued interest	<u>1,388</u>	<u>2,223</u>
	<u>1,128,380</u>	<u>1,499,777</u>

Securitized liabilities

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
a) issued debt securities		
less than one year	861,979	0
more than one year and up to five years	71,855	1,035,674
more than five years	0	322,668
accrued interest	30,061	40,139
b) miscellaneous securitized liabilities	940,450	
more than one year and up to five years	<u>213,314</u>	<u>2,358,638</u>
	<u>2,117,659</u>	<u>3,757,119</u>

c) Receivables from and liabilities owed to affiliated enterprises

<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
EUR '000	EUR '000

Receivables from banks	6,218,939	9,833,092
Receivables from customers and other assets	249,169	42,983
Other assets	157,140	280,614
Liabilities owed to banks	13,605,775	3,711,273
Liabilities owed to customers	362,502	428,073

d) Assets and liabilities denominated in foreign currencies

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
	EUR '000	EUR '000
Assets	2,028,035	2,150,428
Liabilities	1,945,760	1,991,189

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

	2008	2007
	TEUR	TEUR
Annual Net Income		0
<i>Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:</i>		
Amortization, depreciation, value adjustments and reversals on receivables, tangible and financial assets	4,080	5,250
Changes in accruals	-17,341	20,855
Change in other non-cash expenses / income	-1,360	843
Gain/loss from the sale of financial and tangible assets	-12	-161
Other adjustments (per account)	-43,745	-42,523
Subtotal:	-58,378	-15,736
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- from banks	-5,591,401	-4,045,211
- from customers	227,627	1,606,403
Securities (to the extent not financial investments)	602,387	-204,464
Other assets from current operating activities	221,136	-1,010,702
<i>Liabilities:</i>		
- owed to banks	7,157,236	3,502,387
- owed to customers	-371,398	162,266
Securitized liabilities	-1,639,460	-1,157,602
Other liabilities from current operating activities	-465,586	1,131,876
Interest and dividend payments received	432,103	470,396
Interest paid	-377,430	-394,206
Income tax payments	-10,928	-33,667
Cash flow from current operating activities	125,908	11,740
<i>Payments received from the sale of</i>		
- Financial assets	0	776
- Tangible assets	89	264
<i>Payments made for investments in</i>		
- Financial assets	-6,906	-12,580
- Tangible assets	-2,009	-1,087
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 (net)	0	0
Cash flow from investing activities	-8,826	-12,627
Payments received from contributions into equity capital (capital increases, sale of own shares, etc.)	0	0
<i>Payments made to company owners:</i>		

- Dividend payments	0	0
- Other outgoing payments	0	0
Changes in cash resources other capital (net)	-69,459	0
Cash flow from financing activities	-69,459	0
Cash and cash equivalents at the end of the previous period	24,492	25,379
Cash flow from current operating activities	125,908	11,740
Cash flow from investing activities	-8,826	-12,627
Cash flow from financing activities	-69,459	0
Cash and cash equivalents at the end of the period	72,115	24,492

f) Other notes

Equities and other variable-yield securities totaling approximately TEUR 1,075,584 were marketable or listed on stock exchanges.

All debt securities and other fixed-income securities totaling TEUR 20,774 were publicly listed. Of this amount, TEUR 20,000 has a residual term to maturity of less than one year.

Equity investments totaling TEUR 0 were publicly listed. Equity investments totaling TEUR 368.0 were not publicly listed.

The balance sheet item "other assets" consists substantially of paid option premiums. Of the paid option premiums, an amount equaling EUR 1,455.2 million (2007: 1,665 million) related to the Company's own warrants repurchased on the open market.

The securitized liabilities include mostly issued debt securities totaling EUR 963.9 million (2007: 1,398.5 million). This item contains debt securities, which are linked to loans made to customers (Credit Linked Notes).

The balance sheet item "other liabilities" consists primarily of option premiums received.

The item entitled "other accrued liabilities" contains significant provisions for bonuses and restructuring as well as threatened losses. The provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 25.1 million (2007: EUR 41.8 million).

Based on a cost optimization program that was launched by the Bank in 2007 and expanded in 2008, provisions for restructuring were set aside in the amount of EUR 40.6 million (2007: EUR 18.3 million).

The subordinated order bond for EUR 51.1 million, which the Bank issued on April 26, 1999 and which was included under subordinated liabilities, was repaid to Citicorp Deutschland GmbH on September 30, 2009. The interest accrued on these subordinated liabilities in the fiscal year was TEUR 1,876.

An affiliated enterprise contributed silent partner capital which, after allocating losses of EUR 18.3 million (2007: profit share EUR 20.9 million), totaled EUR EUR 104.4 million in 2008 (2007: EUR 122.7 million).

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of EUR 477.6 million (2007: EUR 552.4 million).

Of the irrevocable credit lines granted in the amount of EUR 661.3 million (2007: EUR 968.6 million), approximately EUR 495.3 million (2007: EUR 713.3 million) had a term to maturity of more than one year. The lines of credit have been granted primarily to non-banks.

g) 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 is obligated to make a capital contribution to the service company for 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 equals TEUR 340.

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

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 declined to EUR 84.2 million (2007: EUR 94.9 million).

Commission income was EUR 122.7 million (2007: EUR 189.2 million). This amount includes primarily brokerage commissions from affiliated enterprises, commissions on securities transactions, and Eurex products.

Commission expenses equaled EUR 4.7 million (2007: EUR 7.3 million). They relate almost exclusively to sales commissions on warrants and commissions on options and securities transactions.

The net income from financial trading operations 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 from financial trading operations".

Other operating income was EUR 13.9 million (2007: EUR 13.9 million).

Personnel expenses equaled EUR 132.6 million (2007: EUR 129.1 million). The increase was based mostly on expenses for restructuring in the amount of EUR 20.0 million.

Other administrative expenses were EUR 96.2 million (2007: EUR 102.1 million). The auditor's fees, which were recorded as an expense in the fiscal year, were EUR 0.9 million (2007: EUR 0.9 million).

The increase in write-downs of and provisions for receivables is largely attributable to the sale of loan commitments and the losses sustained thereby in the amount of EUR 2.8 million.

Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities in the amount of EUR 0.1 million (2007: EUR 0.9 million) relate to the write-downs of investment certificates (PRS restricted fund).

In the fiscal year, the Bank booked income taxes on its gains and profits in the amount of EUR 10.9 million (2007: EUR 33.7 million).

Pursuant to a profit transfer or partial profit transfer agreement, the allocated losses were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Düsseldorf, in the amount of EUR 31.0 million and to the silent partner in the amount of EUR 18.3 million.

4. Notes on Derivative Transactions

a) Types of derivative transactions

As of December 31, 2008, the Bank's derivative transactions include the following:

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 December 31, 2008, as follows:

ba) Foreign currency risk trading book

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Foreign currency spot and forward transactions	5	-	-	5	-	-
OTC currency options						
Bought	198	-	-	198	35.4	35.4
Sold	156	-	-	156	33.1	./ 33.1
Currency warrants						
Own issued						
Bought	1,403	-	-	1,403	68.20	68.2
Sold	1,514	-	-	1,514	70.5	./ 70.5

The currencies traded are mainly US Dollar (USD) and Japanese Yen (JPY).

bb) Other price risks trading book

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC-traded stock options						
Bought	2,622	595	-	3,217	148.4	148.4
Sold	993	260	-	1,253	219.4	./ 219.4
Equity warrants						
Own issues						
Bought	13,673	504	-	14,177	385.3	385.3
Sold	17,404	665	-	18,069	440.5	./ 440.5
OTC-traded index options						
Bought	167	75	-	242	37.4	37.4
Sold	101	104	-	205	62.7	./ 62.7
Third party index warrants						
Bought	567	2	-	569	5.2	5.2
Index warrants						
Own issues						
Bought	17,452	371	-	17,823	1,960.9	1,960.9
Sold	20,070	441	-	20,511	1,984.4	./ 1,984.4
Third party equity warrants						
Bought	10	10	-	20	12.7	12.7

Exchange-traded index futures

Bought	15	-	-	15	0.2	0.2
Sold	34	-	-	34	./ 0.3	./ 0.3

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded index options						
Bought	2,271	74	-	2,345	50.1	50.1
Sold	378	54	-	432	46.6	./ 46.6
Exchange-traded stock options						
Bought	844	188	-	1,032	82.9	82.9
Sold	523	75	-	598	73.0	./ 73.0
Index-linked debt securities and share discount certificates						
Own issues						
Bought	480	320	-	800	627.6	627.6
Sold	750	404	-	1,154	883.0	./ 883.0

bc) Other trading transactions

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded interest-rate futures transactions						
Bought	1,129	161	-	1,290	./ 5.1	./ 5.1
Sold	79	41	-	120	0.8	0.8
Interest-rate swap agreements						
Bought	167	93	36	296	3.7	3.7
Sold	167	93	36	296	3.7	./ 3.7

c) Counterparty credit risk in derivatives trading

As of December 31, 2008, 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	-	301,051	-
Other trading transactions	-	39,274	-
Total	-	340,325	-

5. Miscellaneous notes

Citigroup Global Markets Deutschland AG & Co. KGaA will be included in the consolidated financial statements of Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Düsseldorf, which, in turn, is included in the consolidated financial statements of Citigroup Inc., New York. In connection with the sale of the German private banking business and the related spin-off of Citigroup Global Markets AG & Co. KGaA, all shares in Citigroup Global Markets AG & Co. KGaA, the silent partnership interest in Citigroup Global Markets AG & Co. KGaA and the control and profit transfer agreement of the former owner of Citigroup Deutschland GmbH were transferred to Citigroup Global Markets Finance Corporation & Co. haftende KG, effective retroactively as of January 2, 2008.

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

The management of Citigroup Global Markets Deutschland AG & Co. KGaA, will be taken over by Citigroup Global Markets Management AG, Frankfurt am Main, acting as general partner.

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

Maurice Thomson, London, Bank Director, since August 20, 2008

Dr. Christian Ganssmüller, Freiburg, Bank Director, term ended January 31, 2008

Dr. Helmut Gottlieb, Frankfurt am Main, Bank Director, term ended December 2, 2008

Dr. Jürgen Guba, Hofheim a. Ts., Bank Director, term ended September 30, 2008

Fred B. Irwin, Frankfurt am Main, Bank Director

Dr. Paul Lerbinger, Frankfurt am Main, Bank Director

Stefan Mülheim, Wiesbaden, Bank Director, term ended December 2, 2008

Dr. Nikolaus Närgel, Stuttgart, Bank Director,

Christian Spieler, Bad Homburg, Bank Director, since November 1, 2008

Heinz P. Srocke, Hanau, Bank Director

Dieter Visser, Echzell, Bank Director

Stefan Wintels, Frankfurt, Bank Director, since September 1, 2008

The Supervisory Board consists of the following members:

Maurice Thompson, London, Bank Direct, Chairman, term ended August 20, 2008

Hans W. Reich, Kronberg, Bank Director, Chairman since August 20, 2008

Bradley Gans, London, Bank Director, Deputy Chairman

Reiner Henszelewski, Frankfurt am Main, Salaried Bank Employee, Employee Representative

During fiscal year 2008, the Bank employed an average of 428 persons. The average period of employment for staff members as of December 31, 2008 was as follows:

152 Employees	1-4 years
78 Employees	5-9 years
49 Employees	10-14 years
<u>81 Employees</u>	15 years and more
<u>360</u>	

In fiscal year 2008, total remuneration to the Managing Directors of Citigroup Global Markets Deutschland AG & Co. KGaA (including stock options granted) was TEUR 6,321.6. Pension and retirement obligations totaled approximately TEUR 1,919.2. The remuneration of the Supervisory Board equaled approximately TEUR 6.0. Total remuneration of former members of management bodies and their survivors in the reporting year, including stock options exercised, totaled approximately TEUR 669.6. Accrued liabilities for pension and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 6,730.0.

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

In fiscal year 2008, Hans Reich was a member of the supervisory boards of Thyssen Krupp Stahl AG, HUK Coburg, and Areal Bank AG.

In fiscal year 2008, Fred Irwin sat on the Supervisory Board of IFB 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 capital contribution of EUR 104.4 million. The registered share capital is divided into 8,236,778 no par value shares.

Frankfurt am Main, April 20, 2009

Citigroup Global Markets Deutschland AG & Co, KGaA

Maurice Thompson

Fred B. Irwin

Dr. Paul Lerbinger

Dr. Nikolaus Närger

Christian Spieler

Heinz P. Srocke

Dieter Visser

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, together with the bookkeeping system, and the management report of the Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt/Main, for the business year from 1. January 2008 to 31. December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable 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 supplementary provisions of the shareholder agreement/ articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. 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,

April 21, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

Signature

signature

Dr. Hübner

Hell

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20. ANNUAL REPORT 2007

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Citigroup Global Markets Deutschland AG & Co. KGaA

Annual Report for Fiscal Year 2007

Management Report

Business development

Citigroup Global Markets Deutschland AG & Co. KGaA (hereinafter referred to as “Citigroup Global Markets Deutschland”) maintains active business relationships with the roughly one-hundred 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. Citigroup Global Markets Deutschland specifically supports its clients in

- providing them with liquidity,
- arranging syndicated loans or capital market financing,
- advising them in the management of interest rate and currency risk,
- investment banking,
- cash management,
- export finance,
- issuing warrants and certificates,
- the settlement or custody of securities, and
- supplying numerous structured and derivative products or services.

In providing this support, it cooperates closely with other subsidiaries of Citigroup Inc., New York (hereinafter collectively referred to as “Citigroup”).

Due to its proven risk management and the above-average credit standing of its client portfolio, Citigroup Global Markets Deutschland was again able to avoid loan defaults.

In addition, Citigroup Global Markets Deutschland benefited from a generally improved environment for the equities and fixed income business as well as M&A transactions. Although the prosperous trend of 2006 continued during the first half of the year, the environment cooled down in the second half of the year primarily as a result of the burgeoning subprime crisis.

Citigroup Global Markets Deutschland is headquartered in Frankfurt am Main and maintains a subsidiary in London as well as a dependent branch office in Munich.

At the end of 2006, Citigroup Global Markets Deutschland had 435 employees. We would like to express our recognition and thanks to all our employees and advisors for their high level of commitment and their contribution to yet another very successful year for our business.

Development of the Macroeconomic Fundamentals

In its annual report for 2007/2008, the German Council of Economic Experts (hereinafter referred to as the "Economic Council") verified the good state of the German economy. Despite the value added tax increase in 2007 and the great uncertainty engendered by the crisis on the financial markets, the experts predicted that gross domestic product for 2007 would nevertheless climb by 2.6%. On the heels of the solid economic growth, the unemployment rate fell to 8.1% (2006: 9.6%) as of the end of the year, according to calculations made by the German Federal Agency for Labor. The state of the government's finances has also improved markedly as a result of the VAT hike, thereby producing a well-balanced budget at all levels of government.

Given the increase of risks facing the global economy, the Economic Council expects growth in Germany to slow to 1.9% in the coming year. Nevertheless, there are no signs in Germany that the economic recovery will be disrupted or, for that matter, that a recession is imminent, since domestic demand is still increasing. The main cause for this development is dynamic produced by the rise in employment and the related 1.7% increase in consumer spending. The number of registered unemployed will continue to decline in 2008 (albeit at a slower pace). The state of the government's finances will improve slightly in the coming year. This improvement is attributable to the favorable government revenue growth, which should exceed the increase in government expenditures. The significant risks, which the Economic Council has identified in its forecast, are the ongoing and lasting increases in oil prices, another possible abrupt slide in the US Dollar against the Euro, and a further intensification of the US real estate crisis.

Market Review

During the 2007 stock exchange year, the German stock market once again reported gains on an annualized basis. The German DAX index closed the year at 8,067 points, 22% higher than the beginning of the year and 40 points higher than its all time high.

Despite the VAT hike enacted in 2006, a solid economic outlook and a good global economy precipitated higher share prices in the first half of the year. In April, the Ifo Business Climate Index reached 108.6 points, which was the highest level since German reunification. Only the stock price decline at the end of February - which had been triggered by the fall in stock prices in Asia – dampened, temporarily, the favorable mood enjoyed in the first two quarters.

At the beginning of the second half of the year, both the German DAX and the US Dow Jones index reached record levels. The initial reports from the United States regarding the payment problems in the subprime mortgage market interrupted the trend. Inasmuch as these receivables had been securitized and resold as so-called "asset backed securities", the crisis ultimately also hit Germany. In an effort to thwart the dangers of a weakening economy, the US Federal Reserve lowered its discount rate in mid-September and then again in early November. The euro zone began facing higher inflation, which was triggered primarily by the dramatic increase in crude oil prices. The persistently strong euro has also caused concern for the export-oriented German economy.

Equity Business & Warrants & Derivatives

Equity Business

As in the previous fiscal year, the business with institutional investors in Germany and Austria went well in 2007. Income was continuously increased. During this past fiscal year, the Equity team at Citigroup Global Markets Deutschland was again able to cement its already strong relationship with all major institutional investors and to win over new clients. The strong performance of the Equity business contributed proportion-

ally to an increase in income from financial trading operations, with the “Cash Equity Sales” unit and its positive earnings contribution serving as one of the cornerstones here.

At the beginning of 2007, capacity was added to advisory services available for German equities.

Both the investors and Citigroup Global Markets Deutschland enjoyed a good year with respect to stocks in 2007.

Warrants & Certificates

The segment for retail derivatives increased dramatically particularly in the first half of 2007. Citigroup was able to increase its position in the market segment for leverage products in almost all countries in Europe in which it was doing business. Thus, for example, its market leadership in Portugal was strengthened and its market share in France increased. The new selection as the 2007 warrants issuer of the year by the German trade magazine *Deutsches Risk* only confirmed the strategic positioning of this business segment. In the certificates business, Citigroup's market share remained virtually unchanged, but Citigroup is confident about prospects in 2008 given the growth in its new customer relationships. As a result of the high volatilities and a difficult market environment in the last months of 2007, the Group reported a loss under “net income from financial trading operations”.

Capital Market Activities and Interest-Rate related Client Business

Citigroup Global Markets Deutschland supported Citigroup, which was once again retained by numerous financial sector issuers to advise on and place international offerings. Citigroup Global Markets Deutschland advised on over EUR 15bn in Citigroup transactions and thus continues to rank among the best-known underwriters in Germany.

Over the past year, Citigroup successfully supported the following selected strategic issues:

- LB Baden-Württemberg *Pfandbrief* EUR 2.0bn Benchmark 2007/2012
- RZB Raiffeisen Zentralbank LT2 EUR 0.5bn Benchmark 2007/2019
- BayernLB LT2 12NC7 EUR 0.8bn Benchmark 2007/2019
- Deutsche Bank AG, Trust. Pref. Sh. USD 1.2bn Benchmark 2007
- Deutsche Bank AG, Trust. Pref. Sh. USD 0.8bn Benchmark 2007
- Eurohypo Public Sector *Pfandbrief* EUR 2.5bn Benchmark 2007/2010
- BayernLB *Pfandbrief* EUR 1.0bn Benchmark 2007/2012

With the support of Citigroup Global Markets Deutschland, Citigroup was able to further strengthen its position as advising foreign bank for the public sector in 2007. Citigroup acted as lead underwriter in the following transactions:

- Land NRW EUR 1.0bn Benchmark 2007/2022
- Land Berlin EUR 1.3bn Benchmark 2007/2017
- NRW-Bank EUR 1.0bn Benchmark 2007/2014
- Asfinag EUR 1.3bn Benchmark 2007/2017

Fixed Income Capital Markets

Since the end of 2005, the Fixed Income Capital Markets team at Citigroup Global Markets Deutschland has served German customers as well as clients from Austria and Switzerland.

Although the favorable trends of 2006 persisted into the first half of the year, the environment slowed down in the second half of the year due mainly to the effects of the burgeoning subprime crisis.

Structured Products Placements

This business focuses on selling structured interest rate and credit products to Germany and Austria through Citigroup Global Markets Deutschland.

A major part of the business consists in placing credit derivative and interest rate transactions, which are individually tailored to meet the requirements of our clients. In the credit derivatives segment, Citigroup once again successful in completing several portfolio transactions in 2007 while relying on the global resources of Citigroup.

Despite the difficult and sometimes declining market environment, Citigroup will continue to attempt to expand its existing customer base and offer innovative products in 2008.

Foreign Exchange

The foreign exchange business with large companies and institutional investors was affected primarily by the volatility on the currency markets, which increased during the course of the year. Here the results remained only slightly below the record of the previous year. The customer base was also expanded.

Corporate Finance

The volume in equity issues (including convertible or exchangeable bonds) rose again on a global scale in 2007. The attractive capital market environment – particularly in the first half of 2007 – led to a new world-wide increase in the number of public offerings and IPO volumes. On the other hand, 2007 saw a slight decline in the volume of share offerings. While the volume of capital raised from IPOs in Germany rose somewhat, the actual number of IPOs fell slightly.

Some examples of the transactions which Citigroup carried out in 2007 include:

- Accelerated placement of Continental shares approx. EUR 1.5bn
- IPO of Hamburger Hafen und Logistik approx. EUR 1.2bn
- Rights issue for Merck KGaA approx. EUR 1.1bn
- Convertible bonds of TUI approx. EUR 0.7bn
- Convertible bonds of Q-Cells approx. EUR 0.5bn
- Share placement of Qimonda approx. EUR 0.2bn
- Share placement of Infineon approx. EUR 0.2bn
- IPO of Centrotherm Photovoltaics approx. EUR 0.2bn
- IPO of SFC Smart Fuel Cell approx. EUR 0.1bn

In 2007, the volume of announced M&A transactions reached a record USD 4,494bn globally, while the number of transactions with volumes in excess of USD 1bn rose to 784, representing an approximate 31% increase over the record achieved in 2006. Germany also saw a large increase in M&A activity, which attained a new record high. In the second half of 2007, M&A activity slowed down both globally and in Germany compared to the first half of 2007.

As in the past, Citigroup Global Markets Deutschland advised its clients in many national and cross-border transactions in 2007 and was therefore able to consolidate its market position and achieve satisfactory results in terms of income.

The following sample transactions are worth mentioning for 2007:

- Porsche AG takeover offer made to the shareholders of VW AG (approx. EUR 27.7bn in equity value)
- Purchase of Siemens VDO Automotive by Continental (approx. EUR 11.4bn)
- DSGV takeover of LB Berlin (approx. EUR 5.3bn)
- Purchase of SBS Broadcasting by ProSiebenSat. 1 (approx. EUR 3.3bn)
- Red & Black/Permira takeover of Hugo Boss AG (approx. EUR 3.1bn)
- Purchase of EMAP Consumer Media, EMAP Advertising, EMAP Pursuit Publishing and EMAP Radio by Heinrich Bauer Verlag (approx. EUR 1.6bn)
- Takeover of MyTravel Group by Thomas Cook (approx. EUR 1.5bn)
- Unicredito takeover bid (squeeze-out) for Bay. Hypo- und Vereinsbank (approx. EUR 1.4bn)
- Purchase of APCOA Parking by Eurazeo (approx. EUR 0.9bn)
- Terra Firma sale of 50.0% in Tank & Rast (purchase price not published)

A decline in M&A volume is expected in 2008 as a result of the market turbulence.

The prospects for IPOs from the sponsor portfolios tend to be favorable given the collapse of the leverage loan market, but ECM forecast for 2008 is complicated by continuously declining valuations and the rapidly increasing volatility. At the same time, more equity linked transactions and rights offerings are anticipated. Currently, the business division expects a decline in the volume of, and income from, stock offerings.

Global Transaction Services

Global Transaction Services (hereinafter referred to as "GTS") offers innovative solutions in Cash Management, Trade Services 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, fund administration and custodian/depository bank services. To this end, Citigroup Global Markets Deutschland uses the global network of Citigroup of which it is an integral part. With its network, which spans over 100 countries, Citigroup offers its clients solutions that are not just local but also cross-border and integrated.

In fiscal year 2007, Cash Management was a major element contributing to the value of the GTS business segment in Germany, having achieved a growth rate of 20%.

Securities Settlement and Custody Services was also able to close out 2007 on a successful note. The number of custody accounts rose by 79% and transaction volumes by 49%. This development is attributable both to the success achieved in acquiring clients and to the increase in business consummated with the existing clients.

The Securities Services Team has been actively engaged in the development and implementation of innovative securities settlement concepts. A good example of this effort is the contribution it made to developing the payment transactions platform, "Target 2 Securities". Furthermore, the Division is actively engaged and represented on various committees and working groups of banking associations and of the Deutsche Börse Group.

With efficiency-improving automated processes and a constant expansion of its product range, Citigroup Frankfurt expects to be a position in 2008 to meet the complex fund requirements in Germany with its superbly trained professionals, modern systems and efficient settlement and communication structures.

Treasury

A defining feature of fiscal year 2007 was the subprime crisis in the US real estate market, which emerged in August 2007 and has had far-reaching consequences for many primary and secondary markets. The intrinsic loss of faith in the financial system triggered significant incongruities in the money markets as the crisis unfolded. Where instruments with short-term maturities were still traded at near benchmark rates, the yield curve on 3-month paper rose very sharply, and at the peak, spreads between EONIA and the 3-month Euribor exceeded 70 basis points. Only the stringent and concerted intervention of the central banks, which injected liquidity into the financial system using all the instruments at their disposal, helped avoid the shortages.

The subprime crisis has since impacted the overall economy and will probably trigger a recession in the United States and lead to a protracted slowdown in the economy of the euro zone. Despite an annualized inflation rate of 3.1% in December, the European Central Bank will likely reduce its discount rates again in the second quarter of 2008 and thereby follow the Fed's lead, even if it is done on a much smaller scale. In both economic areas, such action will lead to an ever steeper yield curve since, as a result of the continued high rate of inflation, yields will fall disproportionately at the long end of the curve.

The centralization in European cash management, which was completed in recent years, was improved through the targeted and conceptualized development of the cross-border payment system, Target-2. The clearing volumes can now be processed more efficiently through the new clearing structure at the Regional Bundesbank Office in Frankfurt.

In 2008, our Bank will again cultivate its very extensive and regular contacts with the various central banks and supervisory authorities in Europe. In addition, our experts participate actively in various associations and working groups in order to make a meaningful and positive contribution to the framework of the banking industry. Citigroup believes that this involvement puts it in a good position to anticipate new developments in a timely manner and to adapt our overall structure to potential changes in a way that best meets the interests of our clients.

Risk Management

Overview

The organizational structure and risk management processes are set forth in detail in the "Credit, Market and Operational Risk Policies" introduced by Citigroup. These policies have also been adopted by Citigroup Global Markets Deutschland.

From a risk perspective, the most important types of trading business offered by Citigroup Global Markets Deutschland are:

- warrants
- issuance of investment certificates
- 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, Citigroup Global Markets Deutschland 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 Citigroup Global Markets Deutschland 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, 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 Citigroup 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.

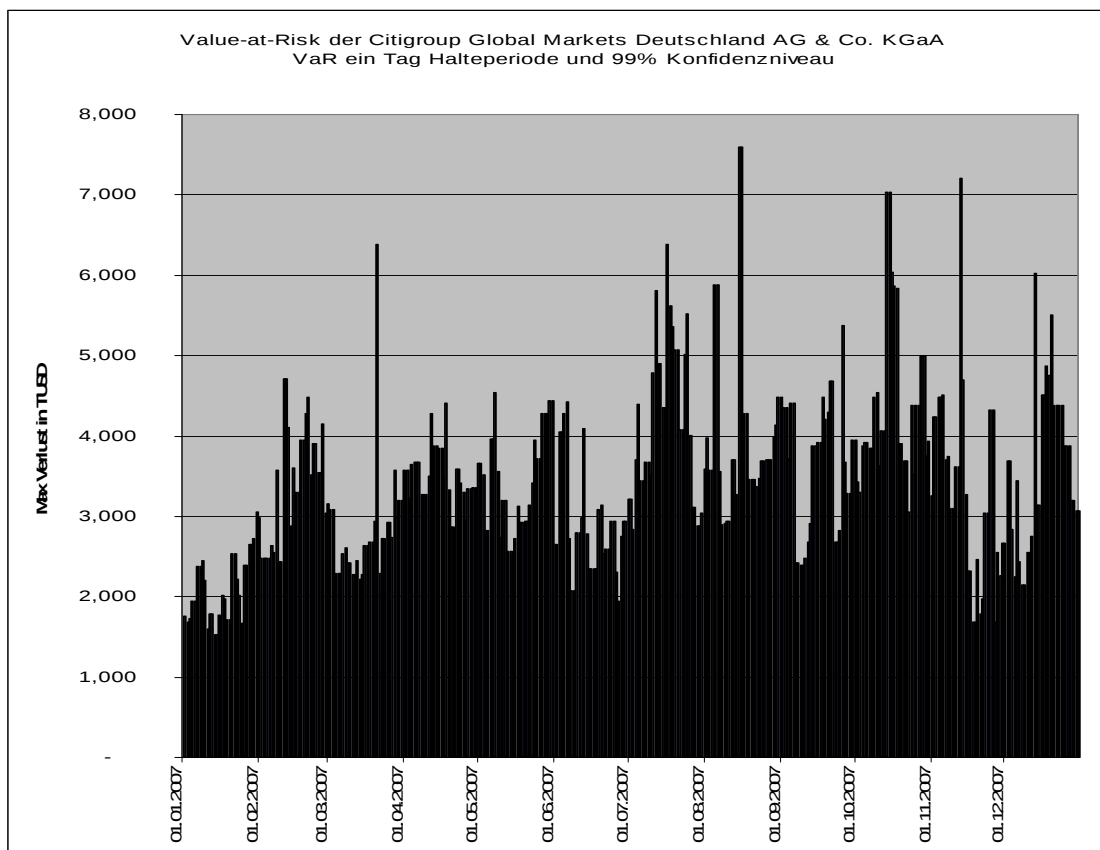


Chart Title: Value-at-Risk of Citigroup Global Markets Deutschland AG & Co. KGaA VaR One-Day Holding Period and 99% Confidence Level

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, Citigroup Global Markets Deutschland is connected to a Citigroup 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

Citigroup Global Markets Deutschland continuously monitors whether the lines of credit granted to the contractual parties and the counterparty limits for trade transactions 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.

Operational Risks

Operational risks are defined by Citigroup Global Markets Deutschland 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 focus on investment banking, 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 roles and responsibilities, as well as the documentation are defined in accordance with the applicable Citigroup 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.

Implementation of the Minimum Requirements for Risk Management

In December 2005, the German Federal Financial Supervisory Authority (the *Bundesanstalt für Finanzdienstleistungsaufsicht* or “BaFin”) defined minimum requirements for risk management (hereinafter referred to as “MaRisk”) and update these requirements in October 2007. Whereas the existing minimum requirements for the trading business (hereinafter referred to as “MaH”), the credit business (hereinafter referred to as “MaK”) and internal auditing (hereinafter referred to as “MaIR”) focused only on individual segments of the business and risk categories, the MaRisk follow a holistic approach and also take into account operational and liquidity risk. In addition, financial institutions must ensure that potential operational risks are covered with sufficiently large economic capital.

For both of its Frankfurt entities – Citigroup Global Markets Deutschland AG & Co. KGaA and Citibank, N.A. New York, Frankfurt branch – the Bank set up a consolidated document that specifies how the MaRisk are implemented into guidelines applicable to both entities. These guidelines are based largely on the strategies of the business units and the related risk tolerance analysis.

The resulting calculation of the economically required capital is intended to cover all potential risks of the relevant business unit, classified according to operational risk, market risk, liquidity risk and credit risk. The risk capital limits derived therefrom are shown per business unit and risk category. As an example, the calculation as of the end of 2007 is set forth below:

	Credit	Liquidity	Market	Operational	Total
Amounts in USD m in December 2007	risk	risk	risk	risks	risks
Equities & Warrants			38	15	52
Capital Market and Interest-Rate Related Client Business	7	2	2	24	36
Corporate Finance				8	8
Global Relationships Banking	143			1	144
Global Transaction Services	7			1	8
Global Corporate & Investment Banking	157	2	40	49	248

Development of Net Assets, Financial Condition and Results of Operation

The total assets of Citigroup Global Markets Deutschland increased by EUR 3,659.8 m to EUR 15,957.2m.

The largest individual balance sheet items were “receivables from banks”, which amounted to EUR 10,159.7m (2006: EUR 6,114.5m), “liabilities owed to banks”, which amounted to EUR 7,372.4m (2006: EUR 3,870.4m), “receivables from customers”, which amounted to EUR 1,782.0m (2006: EUR 3,388.7m) and “securitized liabilities”, which amounted to EUR 3,757.1m (2006: EUR 4,914.7m). “Securitized liabilities” consist of USD loan participation notes equaling EUR 1,398.5m that were issued as credit linked notes in order to hedge specific USD-denominated receivables from customers and banks. The item also includes listed index and equity certificates totaling EUR 2,358.6m.

Debt securities issued by government institutions and bonds and other fixed-interest securities were reported at EUR 123.5m (2006: EUR 532.0m). Of this amount, EUR 123.5m are eligible for use as collateral at the European Central Bank. As the Bank undertakes clearing activities for many foreign banks and financial services providers, this securities portfolio is an important tool for ensuring liquidity.

The other assets and other liabilities result largely from the warrants business and include the premiums yielded from these transactions.

At Citigroup Global Markets Deutschland AG & Co., 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 December 31, 2007, the Company's equity capital equaled EUR 586.9m, and includes a silent partnership contribution of EUR 122.7m.

The liabilities based on guarantees and warranties fell to EUR 552.4m (2006: EUR 644.9m).

Irrevocable lines of credit totaled EUR 968.6m (2006: EUR 1,040.5m).

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

As a rule, the Bank refinances itself almost exclusively by borrowing funds from financial institutions and affiliated enterprises of Citigroup. The Bank also participated in a 3-month tender of the European Central Bank at the end of 2007. In the recently completed fiscal year, the Bank 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 2007, Citigroup Global Markets Deutschland's net income, before transferring it to Citicorp Deutschland GmbH, amounted to EUR 33.4m (2006: EUR 63.0m).

The favorable refinancing structure within Citigroup increased the net interest income to EUR 94.9m (2006: EUR 53.8m). Due to higher dividend payments received, the current income from shares and equity investments increased to EUR 28.8m (2006: EUR 15.3m).

Commission income rose by EUR 1.5m to EUR 189.2m (2006: EUR 190.7m). 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 as well as from the Equity and Equity Derivatives Division. They also include commissions from securities transactions and Eurex products.

In the recently completed fiscal year, the Bank had to book a net loss from financial trading operations in the amount of EUR 11.8m (2006: net income totaled EUR 66.5m), which is attributable to the equities, warrants and certificates business.

Personnel expenses rose by EUR 27.9m to EUR 129.1m (2006: EUR 101.2m) primarily as a result of higher restructuring provisions totaling EUR 18.3m.

The other administrative expenses declined by EUR 7.5m to EUR 102.6m (2006: EUR 109.6m), mainly due to the administrative costs invoiced by other Group entities.

The profits transferred under profit transfer or partial profit transfer agreements are attributable to Citicorp Deutschland GmbH (in the amount of EUR 12.5m) and to the silent partners (in the amount of EUR 20.9m).

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 Bank's business.

Key Financial Performance Indicators

The table below provides a comparison of certain noteworthy financial statistics between fiscal year 2007 and fiscal year 2006, which reveals the business development of Citigroup Global Markets Deutschland:

	2007	2006	Change	
	EUR m	EUR m	EUR m	%
Balance sheet total	15,957	12,297	3,660	29.8
Business volume	17,478	13,982	3,496	25.0
Equity capital	587	587	0	0.0
Loan volume	15,420	13,092	2,328	17.8
Number of employees	435	487	-52	-10.7

	2007	2006	Change	
	EUR m	EUR m	EUR m	%
Interest income from operations	95	54	41	76.3
Commissions from				
brokerage business	139	136	3	2.3
Commissions from				
securities business	20	21	-1	-4.0
Net income from financial operations	-12	66	-78	-117.7
General administrative expenses	231	211	20	9.7

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

	Dec 31, 2007	2006	Change
	EUR m	EUR m	EUR m
Subscribed capital			
Share capital	210.6	210.6	-
Silent partnership capital	122.7	112.9	-
Capital reserves	192.8	192.8	-
Legal reserve	32.9	32.9	-
Other earnings reserves	27.9	27.9	-

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

	Dec 31, 2007	2006
	EUR m	EUR m
Core capital	586.9	586.9
Less		
Intangible assets	-3.3	-4.1
Supplemental capital	51.1	51.1
Equity capital	633.9	633.9
Capital ratios		
Tier 1 capital in %	15.0	19.4
Total capital ratio in %	16.3	21.1

Outlook

In view of the increase in overseas orders, solid growth in exports should help fuel growth in domestic gross product in early 2008. Since the prospects for global demand have worsened, however, export growth will probably not have the same dynamic strength it had in 2007. In early 2008, the lower business expectations for the economy and the effects of the accelerated capital expenditures, which were made in anticipation and advance of the corporate tax reform, are expected to lead to declining investments in the economy. On the other hand, consumer spending should recover in 2008 given the significantly higher employment figures and a quicker rise in salaries and wages. In this respect, we anticipate significantly bigger wage and salary increases in the public sector, while the private sector is expected to report merely slight increases in such compensation. For these reasons, underlying inflationary pressures should probably remain low. After the progress made in recent years, the consensus is that no great structural reforms will probably take place before the Bundestag elections in 2009.

The capital expenditures, which were brought forward in advance of this year's corporate tax reform, the higher domestic financing costs and the appreciation of the euro are all likely to cause a decline in economic activities in 2008. Nevertheless, exports will likely be supported by robust demand from emerging markets. Moreover, the significant increase in the employment figures in 2007 together with a slight reduction in taxes in 2008 will probably lead to a rise in consumer spending. Although energy and food prices will arguably exert upward pressure on prices in 2008, the beneficial basic effects (created primarily through the VAT increase in 2007) should presumably induce declining inflation rates. Instead, the risks have increased that actions previously implemented will be suspended. Like other economies, Germany too will have to battle the continued turbulence in the financial markets.

The lower demand for domestic capital goods will probably slow the booming industrial activities. Moreover, the production or manufacturing trades in Germany will also begin to feel the effects of a stronger euro. Thanks to the demand from emerging markets and increasing competition in the euro zone, the German manufacturing trades are starting out 2008, however, with fat order books, which are expected to provide support for some time to come. For 2008, Citigroup is projecting GNP growth of 1.9% (unadjusted) and 1.6% (when adjusted for working days). In 2009, the economic growth should improve again slightly based on the expectation that the United States will experience a slight economic recovery.

The favorable developments on the labor market are expected to continue, but will be less dynamic. Under this scenario, the disposable income of private households will increase nominally by approximately 3%, which means that private households will experience real income growth, even with the 2% average inflation rate which the Economic Council is forecasting for 2008 (Citi estimate: 1.8%).

Despite a difficult market environment, Citigroup Global Markets Deutschland also expects the warrants and certificate business to contribute favorably to the Bank's earnings in fiscal year 2008.

In Fixed Income and with respect to brokering interest and credit derivatives, the Bank is forecasting a declining business and lower earnings because of the ongoing subprime crisis and its effects.

Citigroup Global Markets Deutschland believes that the corporate banking business has a lasting opportunity to make positive contributions to earnings.

Citigroup will continue to use its financial strength and its presence in over 100 countries worldwide in the best interests of its clients. In this context, the business of the Bank is an integral part of the Group's corporate strategy (which also includes the risk strategy). The success of a business relationship with a client is measured on a firm-wide basis in terms of "return on risk capital", a financial performance indicator for business relationships with clients. Therefore, the earnings of Citigroup Global Markets Deutschland are not considered in isolation. Instead, all interest-rate, commission and trading ("cross selling") revenues generated

from all relationships that Citigroup maintains with a client - adjusted by the respective product costs - are compared to the economic capital tied up for this purpose.

Based on this strategic concept, Citigroup Global Markets Deutschland will continue to contribute to the on-going expansion of Citigroup's Corporate & Investment Banking business in Germany.

Future Risks and Opportunities

Risks exist in both international and national settings. Above all, the crisis in the international financial markets, which has persisted since the summer of 2007, harbors the risk of a weakening world economy, which could result in an economic recession. A renewed flare-up of the financial crisis could precipitate a dramatic worldwide deterioration of bank financial positions which, in turn, could engender a credit squeeze both in Europe and in Germany. Such a situation might well constrain investments in Germany, thereby adversely affecting the labor market and consumption.

There is a risk that the anticipated recession in the United States will significantly weaken global growth. Given German industry's dependency on exports, any such weakening in the global economy would directly influence economic growth and a recovery in the German labor market. The trend in energy and food costs will also be an issue in 2008. While the spike in oil prices left the global economy relatively unperturbed over the past fiscal year, another increase in oil prices and in other commodities could inhibit economic growth.

In line with its risk guidelines, the Bank will continue to use suitable hedging strategies in order to limit the negative effects, which the increased volatilities in the interest rate and equity markets might have on its earnings.

Overall, Citigroup Global Markets Deutschland will hold to its cautious strategy. The Bank has a conservative outlook on the economic situation and will continue to avoid taking larger risks.

The Bank expects that a cost optimization program, which it launched in 2007, will have positive effects for the overall results.

In connection with the worldwide efforts to organize the Group structure more efficiently, the Bank has begun to analyze its institutional business in terms of the legal ownership structure.

Based on the foregoing discussions, Citigroup Global Markets Deutschland expects satisfactory results for the current fiscal year 2008.

Financial Statements, Notes to the Financial Statements for Fiscal Year 2007 and other information

Citigroup Global Markets Deutschland AG & Co. KGaA

Financial Statements

**Notes to the Financial Statements for Fiscal Year 2007
and other information**

Balance Sheet as of December 31, 2007

Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

Assets				
	EUR	EUR	EUR	2006: TEUR
1. Cash reserve				
a) Petty cash		5.109,32		10
b) Credit balances held at central banks		<u>24.486.519,35</u>		25.369
of which: the German Bundesbank (German Central Bank)				
EUR <u>24.486.519,35</u> (2006: TEUR <u>25.369</u>)				
c) Credit balances held at post giro offices		<u>-,-</u>	24.491.628,67	-
2. Receivables from banks				
a) due upon demand		4.221.136.888,85		2.933.509
b) other receivables		5.938.532.522,10	10.159.669.390,95	3.180.949
3. Receivables from customers			1.781.977.323,39	3.388.719
of which: secured by mortgages or other real property				
security interests	EUR <u>-,-</u> (2006: TEUR <u>-</u>)			
Municipal loans	EUR <u>-,-</u> (2006: TEUR <u>-</u>)			
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	<u>-,-</u>			-
ab) issued by others	<u>-,-</u>	<u>-,-</u>		-
b) Bonds and debt securities				
ba) issued by government institutions		<u>123.520.687,66</u>		532.046
of which: eligible as collateral with the German				
Bundesbank	EUR <u>123.520.687,66</u> (2006: TEUR <u>532.046</u>)			
bb) issued by others		<u>-,-</u>	123.520.687,66	-
of which: eligible as collateral with the German				
Bundesbank	EUR <u>-,-</u> (2006: TEUR <u>-</u>)			
c) Bank's own debt securities			<u>-,-</u>	-
Face value	EUR <u>-,-</u> (2006: TEUR <u>-</u>)			
5. Equities and variable-yield securities			1.712.951.407,16	1.089.985
6. Equity investments			367.944,56	368
of which: in banks	EUR <u>217.842,30</u> (2006: TEUR <u>218</u>)			
in financial services				
institutions	EUR <u>-,-</u> (2006: TEUR <u>-</u>)			
7. Trust assets			24.872.136,87	24.412
of which loans made by				
trusts	EUR <u>24.872.136,87</u> (2006: TEUR <u>24.412</u>)			
8. Intangible assets			3.328.388,67	4.068
9. Tangible assets			9.618.159,88	12.282
10. Other assets			2.116.368.041,15	1.104.885
11. Prepaid and deferred items			27.666,81	809
Total Assets			15.957.192.775,87	12.297.411

Liabilities and equity capital				
	EUR	EUR	EUR	2006: TEUR
1. Liabilities owed to banks				
a) payable on demand		2.137.862.804,84		1.181.240
b) having an agreed term or notice period		5.234.514.438,06	7.372.377.042,90	2.709.209
2. Liabilities owed to customers				
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	1.289.371.413,06			1.057.025
bb) having an agreed term or notice period	210.405.736,38	1.499.777.149,44	1.499.777.149,44	280.487
3. Securitized liabilities				
a) debt securities issued		1.398.480.585,37		3.039.542
b) other securitized liabilities		-,-		-
of which:				
money market paper	EUR -,- (2006: TEUF -)			
own acceptance and promissory notes outstanding	EUR -,- (2006: TEUF -)			
c) miscellaneous securitized liabilities		2.358.638.196,97	3.757.118.782,34	1.875.179
4. Trust liabilities			24.872.136,87	24.412
of which: trust loans	EUR 24.872.136,87 (2006: TEUF 24.412)			
5. Other liabilities			2.429.492.251,05	1.297.576
6. Deferred items			83.082,33	124
7. Accrued liabilities				
a) pensions and similar obligations		120.983.836,11		114.948
b) tax accruals		33.809.889,57		21.738
c) other accrued liabilities		80.679.932,06	235.473.657,74	77.933
8. Subordinated liabilities			51.129.188,12	51.129
10. Equity capital				
a) subscribed capital				
aa) registered share capital	210.589.889,00			210.570
ab) silent partner capital	122.710.051,49	333.279.940,49		122.710
b) capital reserve	192.745.810,73	192.745.810,73		192.746
c) earnings reserve				
ca) legal reserve	32.927.197,15			32.927
cb) reserve for treasury shares	-,-			-
cc) reserve required by the articles of association	-,-			-
cd) other earnings reserve	27.916.536,71	60.843.733,86		27.916
d) unappropriated earnings/loss		-,-	588.869.485,08	-
Total Liabilities and Equity Capital			15.957.192.775,87	12.297.411

	EUR	EUR	Vorjahr TEUR
1. Contingent liabilities			
a) contingent liabilities from credited but uncleared bills of exchange	-,-		-
b) contingent liabilities from guarantees and warranty commitments	552.362.048,50		644.885
c) contingent liabilities from security provided on behalf of third parties	-,-	552.362.048,50	-
2. Other obligations			
a) commitment of fictitious repurchase (repo) agreements	-,-		-
b) placement and underwriting commitments	-,-		-
c) irrevocable lines of credit previously granted	968.571.763,29	968.571.763,29	1.040.465

Statement of Income
for the period January 1 through December 31, 2007

Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

	EUR	EUR	EUR	2006: TEUR
1. Interest income from				
a) Loans and money market transactions	542.117.351,70			502.613
b) Fixed-income securities and debt register claims	19.977.397,26	562.094.748,96		19.766
2. Interest expenses		467.179.425,15	94.915.323,81	468.541
3. Current income from				
a) Shares and other variable-yield securities		28.359.820,84		14.861
b) Equity investments		404.674,00		471
c) Interests in affiliated enterprises		-	28.764.494,84	-
5. Commission income		189.244.468,42		190.717
6. Commission expenses		7.311.586,85	181.932.881,57	5.076
7. Net income from financial trading operations			/. 11.819.566,40	66.489
8. Other operating income			13.886.525,03	14.131
10. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	111.337.842,15			85.875
ab) Social security contributions, pension and welfare expenses of which: for pensions	17.758.647,58	129.096.489,73		15.346
EUR 11.031.986,46 (2006: TEUR 10.482)				
b) Other administrative expenses		102.143.913,55	231.240.403,28	109.550
11. Amortization, depreciation, and write-down of tangible and intangible assets			4.387.275,34	4.329
12. Other operating expenses			2.873.891,83	2.556
13. Write-downs of and provisions for receivables and certain securities and additions to loan reserves		1.210.706,70		6.935
14. Income from reversal of write-downs of receivables and certain securities and income from reversal of loans reserves			/. 1.210.706,70	-
15. Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities		862.696,28		319
16. Income from the reversal of write-ups of equity investments, interests in affiliated enterprises and long-term securities			/. 862.696,28	-
19. Results from ordinary operations			67.104.685,42	110.521

	EUR	EUR	EUR	2006: TEUR
23. Income taxes		33.666.836,82		47.705
24. Other taxes, to the extent not included under item 12		<u>-,-</u>	<u>33.666.836,82</u>	<u>/, 135</u>
26. Profits transferred pursuant to profit pooling, profit transfer or partial profits transfer agreement			<u>33.437.848,60</u>	<u>62.951</u>
27. Annual net income for 2007			<u>-,-</u>	<u>-</u>
28. Profit carried forward/ loss-carry forward from 2006			<u>-,-</u>	<u>-</u>
			<u>-,-</u>	<u>-</u>
29. Transfers from capital reserves			<u>-,-</u>	<u>-</u>
			<u>-,-</u>	<u>-</u>
30. Transfers from earnings reserves				
a) from legal reserve		<u>-,-</u>		<u>-</u>
b) from reserve for treasury shares		<u>-,-</u>		<u>-</u>
c) from reserves required by the bank's articles of association		<u>-,-</u>		<u>-</u>
d) from earnings reserves		<u>-,-</u>	<u>-,-</u>	<u>-</u>
			<u>-,-</u>	<u>-</u>
31. Transfers from capital with participation rights			<u>-,-</u>	<u>-</u>
			<u>-,-</u>	<u>-</u>
32. Transfers to earnings reserves				
a) to legal reserve		<u>-,-</u>		<u>-</u>
b) to reserve for treasury shares		<u>-,-</u>		<u>-</u>
c) to reserves required by the bank's articles of association		<u>-,-</u>		<u>-</u>
d) to other earnings reserves		<u>-,-</u>	<u>-,-</u>	<u>-</u>
			<u>-,-</u>	<u>-</u>
33. Replenishment capital with participation rights			<u>-,-</u>	<u>-</u>
34. Unappropriated earnings			<u>-,-</u>	<u>-</u>

Citigroup Global Markets Deutschland AG & Co. KGaA

Frankfurt am Main

Notes to the Financial Statements for Fiscal Year 2007

Citigroup Global Markets Deutschland AG & Co. KGaA ("CGMD") is a partnership limited by shares ("KGaA") with its registered offices in Frankfurt am Main, Germany. CGMD is recorded in the commercial register of the District Court of Frankfurt am Main under registration number HRB 57295.

1. Accounting and Valuation Methods

The annual financial statements for fiscal year 2007 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.

Citigroup Global Markets Deutschland AG & Co. KGaA adheres to the requirements set forth in § 252 (1) of the HGB regarding the valuation of **derivative transactions**. Citigroup Global Markets Deutschland AG & Co. KGaA values the foreign currency and other price risks, which are inherent in its trading books, on the basis of accepting, hedging and transferring risks. Therefore, the risk-offsetting effects of individual transactions in a trading book can be valued only when taking into account all transactions within that portfolio. Accordingly, the items making up the trading book are not measured individually. Instead, the trading books together are seen as a single valuation unit.

Foreign Currency Risk Trading Book

Forward exchange and option transactions are valued on the basis of the provisions set forth in § 340 h HGB and the opinions BFA 2/1995 and BFA 3/1995 issued by the Banking Committee of the German Institute of Auditors (*Institut der Wirtschaftsprüfer in Deutschland e.V.*) as follows:

Gains or losses from any forward exchange transactions are calculated by comparing the transaction rate with the relevant forward rate as of the balance sheet date.

Purchased and written options are measured at their respective market price or fair value. Gains or losses on these transactions are calculated by comparing the market values on the balance sheet date with the premiums paid or received.

The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Other Price Risks Trading Book

Shares and other variable-yield securities in the trading portfolio as well as index-linked debt securities and share discount certificates are stated at their respective market price or fair value. Gains or losses are calculated by comparing the acquisition costs with the market value. The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Stock options and index options are stated at market price or fair value. Gains or losses on such trades are calculated by comparing the difference between the market value on the balance sheet date and the premiums paid or received. The subsequent measurement is based on the difference between the market values as of the previous balance sheet date.

Forward transactions in equities and indices are marked to market. The profits or losses are reflected as the difference between the market values and the relevant contracted price based on the underlying instrument.

Interest-rate derivatives

In connection with hedging the risks related to changes in the interest rates, the Bank entered into certain interest-rate futures. These futures are marked to market. The profits or losses are reflected as the difference between the market values and the relevant contracted price based on the underlying instrument.

Treasury

Money market transactions are recognized at their face value or settlement amount. Money market transactions in foreign currencies are measured on the basis of § 340 h HGB and in accordance with opinion BFA 3/1995 issued by the banking committee of the German Institute of Auditors.

Bonds and debt securities are stated at the lower of cost or market value.

Option premiums paid and received are marked to market and recorded on the balance sheet until maturity or until the options are exercised.

Issued **Index-linked and equity-linked debt securities** are entered on the balance sheet as "other securitized liabilities". Repurchased index-linked and equity-linked debt securities are entered on the balance sheet at their redemption value under "equities and other variable-yield securities".

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

Receivables from customers are recorded at their nominal value plus accrued interest less any allowances established to cover loan-related risks.

Long-term securities are stated at the lower of acquisition cost or fair value as prescribed in § 253 (2) HGB.

Equity investments are stated at their cost of acquisition.

Intangible assets 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 customers are stated at face value plus accrued interest.

Pension accruals have been calculated in accordance with tax-based procedures using the entry-age-normal method (*Teilwertmethode*) and assuming an annual discount rate of 6 % and the current mortality tables (Heubeck RT 2005 G).

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.

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.

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 (the ESCB-reference 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	
	Additions					Additions (Disposals)			
	Jan. 1, 2007	(Disposals)	Transfer	Jan. 1, 2007	Additions	Jan 1. 2007	Transfer	Dec. 31, 2007	Dec. 31, 2006
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Intangible assets	6,871	127	-	-	-	2,804	866	3,328	4,068
Office and plant equipment	20,483	584 (856)	-	-	-	16,154	1,326 (824)	3,555	4,328
Leasehold Improvements	22,782	265 (15)	-	-	-	14,893	2,195 (8)	5,952	7,890
Construction in progress	64	111 (64)	-	-	-	-	-	111	64
Equity investments	368	-	-	-	-	-	-	368	368
Long-term securities	128,332	12,581 (776)	-	14,120	-	14,439	863	138,955	128,013
Total	178,900	13,668 (1,711)	-	14,120	-	48,290	5,250 (832)	152,269	144,731

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**

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
f) payable on demand	4,198,301	2,933,509
g) up to three months	5,518,886	1,792,161
h) more than three months and up to one year	285,100	1,229,685
i) more than one year and up to five years	40,585	51,410
j) more than five years	69,196	77,196
accrued interest	<u>47,601</u>	<u>30,497</u>
	<u>10,159,669</u>	<u>6,114,458</u>

Receivables from customers

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
e) up to three months	402,502	862,533
f) more than three months and up to one year	51,066	1,013,767
g) more than one year and up to five years	1,037,174	1,157,642
h) more than five years	251,225	281,104
accrued interest	<u>40,010</u>	<u>73,673</u>
	<u>1,781,977</u>	<u>3,388,719</u>

Liabilities owed to banks

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
e) payable on demand	2,137,863	1,161,240
f) up to three months	5,206,886	2,641,355
g) more than three months and up to one year	-	64,541
h) more than one year and up to five years	-	-
accrued interest	<u>27,628</u>	<u>3,313</u>

	<u>7,372,377</u>	<u>3,870,449</u>
Liabilities owed to customers	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
payable on demand	1,288,854	1,057,009
d) up to three months	140,353	66,892
e) more than three months and up to one year	34,203	166,216
f) more than one year and up to five years	33,121	42,324
e) more than five years	1,023	1,023
accrued interest	<u>2,223</u>	<u>4,048</u>
	<u>1,499,777</u>	<u>1,337,512</u>
Securitized liabilities	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
a) issued debt securities		
less than one year	0	1,442,673
more than one year and up to five years	1,035,674	1,157,643
more than five years	322,668	360,668
accrued interest	40,139	78,558
b) miscellaneous securitized liabilities		
more than one year and up to five years	<u>2,358,638</u>	<u>1,875,179</u>
	<u>3,757,119</u>	<u>4,914,721</u>

c) Receivables from and liabilities owed to affiliated enterprises

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
Receivables from banks	9,833,092	5,557,445
Receivables from customers and other assets	42,983	155,165
Other assets	280,614	218,084
Liabilities owed to banks	3,711,273	3,517,408
Liabilities owed to customers	428,073	212,823

d) Assets and liabilities denominated in foreign currencies

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
	EUR '000	EUR '000
Assets	2,150,428	4,018,457
Liabilities	1,991,189	4,028,251

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

	2007	2006
	TEUR	TEUR
Annual Net Income	0	0
<i>Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:</i>		
Amortization, depreciation, value adjustments and reversals on receivables, tangible and financial assets	5,250	4,648
Changes in accruals	20,855	23,056
Change in other non-cash expenses / income	843	7,402
Gain/loss from the sale of financial and tangible assets	-161	677
Other adjustments (per account)	-42,523	21,831
Subtotal:	-15,736	57,614
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- from banks	-4,045,211	267,615
- from customers	1,606,403	165,309
Securities (to the extent not financial investments)	-204,464	122,032
Other assets from current operating activities	-1,010,702	-49,432
<i>Liabilities:</i>		
- owed to banks	3,502,387	-708,933
- owed to customers	162,266	135,274
Securitized liabilities	-1,157,602	-238,964
Other liabilities from current operating activities	1,131,876	103,349
Interest and dividend payments received	470,396	403,386
Interest paid	-394,206	-377,512
Income tax payments	-33,667	-47,705
Cash flow from current operating activities	11,740	-167,968
<i>Payments received from the sale of</i>		
- Financial assets	776	98
- Tangible assets	264	1
<i>Payments made for investments in</i>		
- Financial assets	-12,580	-1,652
- Tangible assets	-1,087	-4,470
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 (net)	0	0
Cash flow from investing activities	-12,627	-6,023
Payments received from contributions into equity capital (capital increases, sale of own shares, etc.)	0	9,778
<i>Payments made to company owners:</i>		

- Dividend payments	0	0
- Other outgoing payments	0	0
Changes in cash resources other capital (net)	0	0
Cash flow from financing activities	0	9,778
Cash and cash equivalents at the end of the previous period	25,379	189,592
Cash flow from current operating activities	11,740	-167,968
Cash flow from investing activities	-12,627	-6,023
Cash flow from financing activities	0	9,778
Cash and cash equivalents at the end of the period	24,492	25,379

f) Other notes

Equities and other variable-yield securities totaling approximately TEUR 1,573,996 were marketable or listed on stock exchanges.

All debt securities and other fixed-income securities totaling TEUR 123,521 were publicly listed. Of this amount, TEUR 50,000 has a residual term to maturity of less than one year.

Equity investments totaling TEUR 0 were publicly listed. Equity investments totaling TEUR 368.0 were not publicly listed.

Trust assets and trust liabilities consisted of receivables from and liabilities owed to banks in the amount of TEUR 24,872 (2006: TEUR 24,412).

The balance sheet item "other assets" consists substantially of paid option premiums. Of the paid option premiums, an amount equaling EUR 1,665 million (2006: 763 million) related to the Company's own warrants repurchased on the open market.

Securitized liabilities include mostly issued debt securities totaling EUR 1,398.5 million (2006: 3,039.5 million). This item contains debt securities, which are linked to loans made to customers (Credit Linked Notes).

The balance sheet item "other liabilities" consists primarily of option premiums received.

Interest accrued on subordinated liabilities equaled TEUR 227 (2006: TEUR 175).

The item entitled "other accrued liabilities" contains significant provisions for bonuses and restructuring as well as threatened losses. The provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 41.8 million (2006: EUR 46.9 million).

Based on a cost optimization program launched by the Bank in 2007, provisions for restructuring were set aside in the amount of EUR 18.3 million (2006: EUR 0).

On April 26, 1999, the Bank issued a subordinated order bond for EUR 51.1 million, bearing an interest rate of 0.25% *per annum* above the two-month EURIBOR. The bond is held by Citicorp Deutschland GmbH. The bond has no maturity date and meets the requirements of § 10 (5a) of the KWG. Citicorp Deutschland GmbH may redeem the bond by giving five years' notice to December 30th of any given year. The interest accrued on these subordinated liabilities in the fiscal year were approximately TEUR 2,253. The terms and conditions of subordination for these funds conform to the requirements under § 10 (5a) KWG.

An affiliated enterprise contributed silent partner capital totaling approximately EUR 122.7 (2006: EUR 122.7 million). In fiscal year 2007, the silent partner's profit share was EUR 20.9 million (2006: EUR 36.1 million).

The contingent liabilities relate to guarantees and warranty agreements. These agreements stem from guarantees made in the amount of EUR 552.4 million (2006: EUR 644.9 million).

Of the irrevocable credit lines granted in the amount of EUR 968.6 million (2006: EUR 1,040.5 million), approximately EUR 713.3 million (2006: EUR 905.0 million) had a term to maturity of more than one year. The lines of credit have been granted primarily to non-banks.

g) 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 is obligated to make a capital contribution to the service company for 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 equals 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, Bundesverband deutscher Banken e.V.

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 increased to EUR 94.9 million (2006: EUR 53.8 million).

Commission income was EUR 189.2 million (2006: EUR 190.7 million). This amount includes primarily brokerage commissions from affiliated enterprises, commissions on securities transactions, and Eurex products.

Commission expenses equaled EUR 7.3 million (2006: EUR 5.1 million). They relate almost exclusively to sales commissions on warrants and commissions on options and securities transactions.

The net income from financial trading operations 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 from financial trading operations".

Other operating income was EUR 13.9 million (2006: EUR 14.1 million).

Personnel expenses equaled EUR 129.1 million (2006: EUR 101.2 million). The increase was based mostly on expenses for restructuring in the amount of EUR 20.0 million.

Other administrative expenses were EUR 102.1 million (2006: EUR 109.5 million). The auditor's fees, which were recorded as an expense in the fiscal year, were EUR 0.9 million (2006: EUR 0.9 million). The fees for tax advice services totaled TEUR 0 (2006: TEUR 16).

Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities in the amount of EUR 0.9 million (2006: EUR 0.3 million) relate to the write-downs of investment certificates (PRS restricted fund).

In the fiscal year, the Bank booked income taxes on its gains and profits in the amount of EUR 33.7 million (2006: EUR 47.7 million).

Pursuant to a profit transfer or partial profit transfer agreement, profits were transferred to Citicorp Deutschland GmbH in the amount of EUR 12.5 million and to the silent partner in the amount of EUR 20.9 million.

4. Notes on Derivative Transactions

a) Types of derivative transactions

As of December 31, 2007, the Bank's derivative transactions include the following:

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 December 31, 2007, as follows:

ba) Foreign currency risk trading book

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Foreign currency spot and forward transactions	235	-	-	235	0.2	0.2
OTC currency options						
Bought	661	-	-	661	19.9	19.9
Sold	341	-	-	341	12.9	./ 12.9
Currency warrants						
Own issued						
Bought	1,749	2	-	1,751	36.4	36.4
Sold	2,082	24	-	2,106	41.5	./ 41.5

The currencies traded are mainly US Dollar (USD) and Japanese Yen (JPY).

cc) Other price risks trading book

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC-traded stock options						
Bought	1,324	1,042	-	2,366	235.8	235.8
Sold	662	474	-	1,136	117.4	./ 117.4
Equity warrants						
Own issues						
Bought	6,143	2,082	-	8,225	962.1	962.1
Sold	8,537	3,266	-	11,803	1,244.1	./ 1,244.1
OTC-traded index options						
Bought	2,123	61	-	2,184	87.0	87.0
Sold	577	141	-	718	30.2	./ 30.2
Third party index warrants						
Bought	27	10	-	37	20.4	20.4
Index warrants						
Own issues						
Bought	23,911	4,629	-	28,540	1,343.5	1,343.5
Sold	28,057	5,262	-	33,319	1,415.7	./ 1,415.7
Third party equity warrants						
Bought	13	15	-	28	2.3	2.3

Exchange-traded index futures

Bought	411	-	-	411	4.2	4.2
Sold	224	-	-	224	./ 1.2	./ 1.2

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded index options						
Bought	3,032	548	-	3,580	68.2	68.2
Sold	1,143	185	-	1,328	47.1	/./ 47.1
Exchange-traded stock options						
Bought	808	163	-	971	56.0	56.0
Sold	261	71	-	332	21.1	/./ 21.1
Index-linked debt securities and share discount certificates						
Own issues						
Bought	640	252	-	892	1,003.5	1,003.5
Sold	1,767	592	-	2,359	2,627.6	/./ 2,627.6

bc) Other trading transactions

	< 1 year	1-5 years	> 5 years	Total	Carrying value	Market value
	Nominal amount	Nominal amount	Nominal amount	Nominal amount		
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
Exchange-traded interest-rate futures transactions						
Bought	4,317	1,045	-	5,362	/./ 0.9	/./ 0.9
Sold	10	90	-	100	-	-
Interest-rate swap agreements						
Bought	36	290	36	362	8.4	8.4
Sold	36	290	36	362	8,4	/./ 8.4

c) Counterparty credit risk in derivatives trading

As of December 31, 2007, the credit equivalents, as defined in Principle 1 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	-	677,980	-
Other trading transactions	-	88,445	-
Total	-	766,425	-

5. Miscellaneous notes

Citigroup Global Markets Deutschland AG & Co. KGaA will be included in the consolidated financial statements of Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Düsseldorf, which, in turn, is included in the consolidated financial statements of Citigroup Inc., New York.

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

The management of Citigroup Global Markets Deutschland AG & Co. KGaA, will be taken over by Citigroup Global Markets Management AG, Frankfurt am Main, acting as general partner.

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

Dr. Christian Ganssmüller, Freiburg, Bank Director, term ended 31 January 2008

Dr. Helmut Gottlieb, Frankfurt am Main, Bank Director

Dr. Jürgen Guba, Hofheim a Ts., Bank Director

Fred B. Irwin, Frankfurt am Main, Bank Director

Dr. Paul Lerbinger, Frankfurt am Main, Bank Director

Stefan Mülheim, Wiesbaden, Bank Director

Dr. Frank Müller, Oberursel, Bank Director, term ended 31 December 2007

Dr. Nikolaus Närger, Stuttgart, Bank Director, since 1 January 2007

Heinz P. Srocke, Hanau, Bank Director

Dieter Visser, Echzell, Bank Director

Dr. Jean-Claude Zerey, Frankfurt, Bank Director, term ending 30 September 2007

and

Dr. Michael Zitzmann, Rottach-Egern, Bank Director, term ended May 2007.

The Supervisory Board consists of the following members:

Maurice Thompson, London, Bank Direct, Chairman

Bradley Gans, London, Bank Director, Deputy Chairman

Reiner Henszelewski, Frankfurt am Main, Salaried Bank Employee, Employee Representative

During fiscal year 2007, the Bank employed an average of 467 persons. The average period of employment for staff members as of December 31, 2007 was as follows:

177 Employees	1-4 years
117 Employees	5-9 years
53 Employees	10-14 years
<u>88 Employees</u>	15 years and more
<u>435</u>	

In fiscal year 2007, total remuneration to the Managing Directors of Citigroup Global Markets Deutschland AG & Co. KGaA (including stock options granted) was TEUR 9,006.7. Pension and retirement obligations totaled approximately TEUR 2,409.7. The remuneration of the Supervisory Board equaled approximately TEUR 6. Total remuneration of former members of management bodies and their survivors in 2007, including stock options exercised, totaled approximately TEUR 736.3. Accrued liabilities for pension and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 6,010.0.

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

In fiscal year 2007, Dr. Mark Wossner was a member of the supervisory boards of DaimlerChrysler AG, Loewe AG, Douglas AG, and Heidelberger Druckmaschine AG.

In fiscal year 2007, Hans Reich was a member of the supervisory boards of Thyssen Krupp Stahl AG, HUK Coburg, and Areal Bank AG.

In the fiscal year, Fred Irwin sat on the Supervisory Board of IFB 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 capital contribution of EUR 122.7 million. The registered share capital is divided into 8,236,778 no par value shares.

Frankfurt am Main, April 18, 2008

Citigroup Global Markets Deutschland AG & Co, KGaA

Dr. Helmut Gottlieb

Dr. Jürgen Guba

Fred B. Irwin

Dr. Paul Lerbinger

Stefan Mülheim

Dr. Nikolaus Närgel

Heinz P. Srocke

Dieter Visser

Auditors' 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 & Co KGaA, Frankfurt am Main, for the fiscal year from January 1, 2007 to December 31, 2007. 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 management. 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 management, as well as an 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 German principles of proper accounting, a true and fair view of the net assets, financial position and results of operations of Citigroup Global Markets Deutschland AG & Co KGaA, Frankfurt am Main. 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, April 21, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Hübner
Wirtschaftsprüfer

Hell
Wirtschaftsprüfer

SIGNATURE PAGE

Frankfurt am Main, 06 July 2009

Citigroup Global Markets Deutschland AG & Co. KGaA

signed by Alexander Klatt (Managing Director)