# Citigroup
# Global Markets Deutschland AG

Frankfurt am Main

## Registration Document

30 March 2017

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# 1. RISK FACTORS

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

## 1.1 Credit risks

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

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

## 1.2 Market price risks

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

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

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

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

### 1.3 Liquidity risks

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

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

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

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

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

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

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

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

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

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

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

At European level, the EU institutions have enacted an EU Directive which defines a framework for the recovery and resolution of credit institutions (the so-called *Bank Recovery and Resolution Directive*, the "**BRRD**") as well as the regulation (EU) No. 806/2014 of the European Parliament and the Council of 15 July 2014 (the Single Resolution Mechanism – "**SRM**") which has entered into force in substantial parts on 1 January 2016 and establishes a uniform winding-up procedure within the euro area. The BRRD has been implemented in the Federal Republic of Germany by the Restructuring and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – "**SAG**"). The SAG came into force on 1 January 2015 and grants significant rights for intervention of BaFin and other competent authorities in the event of a crisis of credit institutions, including the Issuer.

The SAG empowers the competent national resolution authority, in Germany the Financial Market Stabilisation Authority (*Bundesanstalt für Finanzmarktstabilisierung* - "**FMSA**") to apply resolution measures.

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

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

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

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

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

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

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

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

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

### 1.9 Risks in the credit business

The Issuer's credit portfolio consists primarily of international customers in the industrial and financial services sectors with an "investment grade"[1] credit rating. This business policy has enabled loan losses to be avoided in the past. The credit portfolio focuses mostly on a manageable number of borrowing entities. If any of the Issuer's key borrowers fail to meet their obligations, then risk provisioning could conceivably increase significantly or loan defaults could occur.

### 1.10 Pension fund risk

Pension fund risks are risks for which a subsequent contribution for a financial loss resulting from an economic loss results in one of the Issuer's responsible pension funds. These risks are taken into account in the Issuer's risk-bearing capacity concept.

### 1.11 Risks of interest rate changes

The Issuer assesses and controls the risk of interest rate changes. In general, the Issuer's interest rates book has a very short-term character. The Issuer is primarily exposed to the risk of changes in interest rates in mid to long-term in holdings in liquid securities if these were not originally covered by hedging transactions. The same applies to medium and long-term loans granted by the Issuer. A significant risk from interest rate changes could arise where interest rates are not monitored in a timely or

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

sensitive manner, which may produce the concomitant danger that action to cover such interest rate exposure is not taken early enough.

### 1.12 Operating risks

- Outsourcing risk

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

- Settlement risk

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

- Information risk

  There is a 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.

- 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.

- Risks of fraud

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

The risks described above can have a negative impact on the customer relationship or the relationship with the local supervisory authorities. Reputational risks are regarded and controlled as an independent, substantial risk category.

### 1.13 Tax risks

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

### 1.14 Legal and regulatory risks

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

## 2. PUBLICATION AND VALIDITY OF THE REGISTRATION DOCUMENT

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

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

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

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

## 3. PERSONS RESPONSIBLE

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

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

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

## 4. STATUTORY AUDITORS

The statutory auditor of the Issuer and Citigroup Global Markets Management AG, as the Issuer's managing general partner until the registration of the merger on 23 June 2010, during the period covered by the historical financial statements in this Registration Document (business years 2016 and 2015) was and respectively is

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

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

Wirtschaftsprüferkammer
Körperschaft des öffentlichen Rechts
Rauchstraße 26 10787 Berlin

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

### 5.1 Business history of the Issuer

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

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

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

Citibank AG & Co. KGaA emerged from the organic restructuring of Citibank Aktiengesellschaft on 4 August 2003. Citibank Aktiengesellschaft had operated under this name since 7 October 1992 and, prior thereto, had conducted business as Citibank Invest Kapitalanlagegesellschaft mbH. In connection with the reorganisation of the Citicorp companies in Germany, Citibank Invest Kapitalanlagegesellschaft took over the banking operations from the former Citibank AG, which was then renamed Citibank Beteiligungen Aktiengesellschaft.

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

(*Gesamtrechtsnachfolger)*. Citigroup Global Markets Deutschland GmbH was dissolved.

Spin-off agreement 2008

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

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

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

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

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

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

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

<u>Exit of the silent partner as of 30 November 2015</u>

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

### 5.2 Development of the Issuer

Significant events that may have a material impact on the assessment of the Issuer's solvency cannot be determined at the moment.

It should be noted that Citigroup is continuously verifying the appropriateness of its organizational structure.

### 5.3 Registered office of the Issuer

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

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

The Issuer's address is:

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

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

## 6. BUSINESS OVERVIEW OF THE ISSUER

### 6.1 Principal Activities

#### 6.1.1 Overview

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

### 6.1.2 Equity, Warrants and Certificates, Equity & Derivative Sales

(a) Warrants and Certificates

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

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

(b) Equity Sales and Sales-Trading

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

(c) Equity Derivative Sales

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

### 6.1.3 Capital Markets and Fixed Income Sales

(a) Debt Capital Markets

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

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

(b) Fixed Income Sales

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

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

(c) Foreign Exchange Management

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

### 6.1.4 Corporate and Investment Banking ("CIB")

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

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

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

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

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

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

### 6.1.5 Citi Private Bank – Family Office Coverage Germany

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

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

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

### 6.1.7 Treasury and Trade Solutions

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

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

### 6.1.8 Securities Services

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

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

### 6.1.9 Treasury

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

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

Furthermore, G10 Markets Treasury regularly trades loans, deposits and currency swaps for selected corporate customers.

### 6.1.10 Special significance of brokering transactions for other Citigroup companies

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

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

### 6.1.11 Derogation from generally described business procedures

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

## 6.2 Principal markets

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

## 7. ORGANISATIONAL STRUCTURE OF THE ISSUER

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

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

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

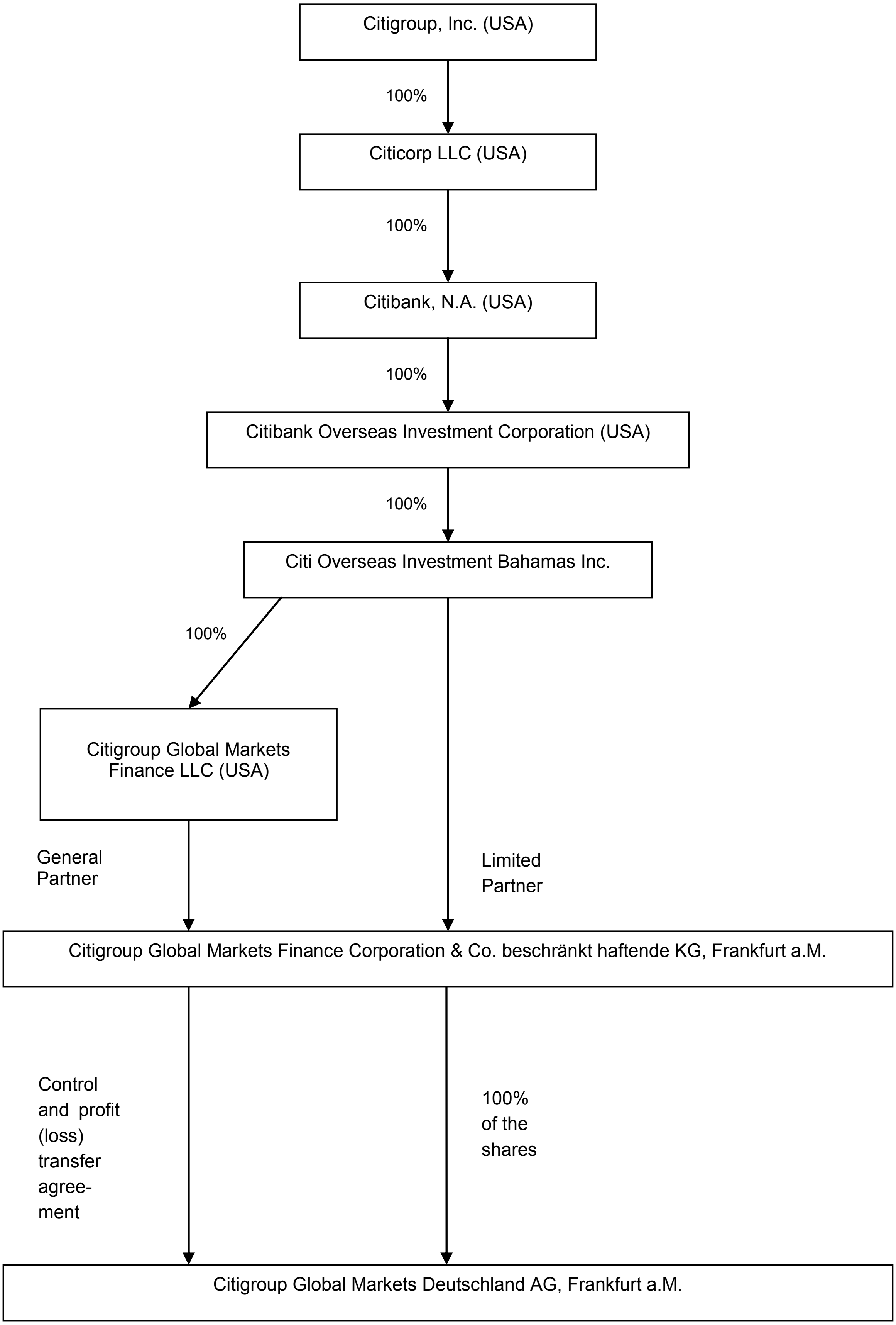
In addition to the integration of the Issuer into the Citigroup Inc. Group, a control and profit (loss) transfer agreement has been executed by the direct parent company and the Issuer.

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

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

Furthermore, it should be noted that Citigroup is continuously verifying the appropriateness of its organizational structure.

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



## 8. TREND INFORMATION

The Issuer hereby declares that there have been no material adverse changes in the prospects of the Issuer since the date of its last audited financial statements, i.e. 30 November 2016.

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

### 8.1 Outlook for the overall economy[2]

With respect to the development of the global economy, the Issuer is projecting a moderate increase in the growth rate in 2017, from 2.5% to 2.7%. Thus, 2017 should continue the growth trend of the years 2012 – 2016 and remain below the long-term level of 3%. No significant growth rate increases are expected in 2017 for the industrial countries. In contrast to this, adjustment volatility is possible in emerging countries like China. The Federal Reserve Bank‘s move to raise the prime interest rate in December 2016 should not trigger any extensive interest rate hikes by the central banks outside of the United States. Indeed, the European Central Bank (ECB) is expected in 2017 to continue keeping the key interest rate at the negative level. This divergence in monetary policy could support a strong US dollar. The excess liquidity creates a ever-increasing wedge between the global finance sector and the global economy. The geopolitical risks in the form of socioeconomic risks remain at a high level due to the refugee crisis and the rise in terrorism.

The growth of the US economy in 2017 (projected at 1.8%) should be marginally higher than it was last year (1.5%). It remains to be seen which political changes the new administration will bring about during the upcoming legislative session, but the Issuer generally expects tax policy simplification and tighter monetary policy.

The recovery in the Eurozone remains fragile. For 2017, a slight decline in growth from 1.6% to 1.5% is expected. Nevertheless, the periphery, above all, will be aided by moderate support from fiscal policy, a weak euro and favorable financing costs. The shrinking production gaps and the ever-falling unemployment rates after two years of zero inflation should lead to increases in the direction of the target rates. Such action could slowly reduce the volume of the quantitative easing program. In light of the increased regulation of banks, the ECB expansive liquidity policy continues to trigger elevated volatility.

Towards the end of 2016, the Chinese economy did show that it was quite resilient, and the Issuer expects a 6.5% growth for 2017. The “old sectors” still face significant challenges such overcapacity, over-indebtedness and loss of competitiveness. Thus, the debt-driven growth increases future risks and decreases sustainability. The uncertainty regarding the relations between China and the United States under the future policies of President Donald Trump could produce a weaker Chinese Yuan in the near term.

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[2] Source: Citigroup Research „Global Economic Outlook and Strategy“ dated 28 November 2016

The developing countries should expect a moderate increase in the cumulative growth rate of 4.3%, compared to 3.8% in 2016. Although the Issuer is assuming that growth rates will stabilize in the “emerging markets” over the mid-term, the short-term growth increase should be attributed, however, more or less to adjustments of growth in those countries that suffered downturns in 2016 (e.g., Russia should grow by 2% in 2017, and Brazil should grow by 0.6%, whereby both countries had suffered downturns of 0.5% and 3.4%, respectively, in 2015).

Since 2015, a major challenge for the global economy has been the decline in commodity prices, most notably oil prices. During the course of 2016, these prices rebounded again slightly, a trend that is expected to continue in 2017.

For Germany, the Issuer is projecting a moderate decrease in growth from 1.8% in 2016 to 1.5% in 2017. As in the prior year, the Issuer is expecting that domestic demand (above all, consumption) will be the major growth factor for 2017. Robust job supply, small nominal increases in income and above all rising inflation are expected to contribute to stronger wage growth and the related consumer spending and should bolster investment in business and construction work. At the same time, the refugee crisis and terrorism have unleashed a level of political discord that has not been seen for decades. Although the major parties are expected to lose seats during parliamentary elections in 2017, it seems highly likely that the CDU and SPD coalition, led by Chancellor Angela Merkel, will remain in office.

## 8.2 Outlook for the banking industry

Even though the recovery of the global banking industry after the 2008 financial crisis was protracted, the sector found itself at the end of last year in a more stable condition than before, In 2016, numerous volatility factors weighed down the performance of the banking industry. In 2017, government elections - particularly those in France and Germany - together with continuing developments in the United States and Great Britain will keep the markets on edge. In this uncertain environment, investor conduct will remain hard to gauge, yet the Issuer does expect that major investments will be pursued, albeit rather cautiously. Accordingly, considerable uncertainty and risks will persist and could have effects on the banking industry. These risks include, among other things, the aforementioned political risks, China's growth rates, continued negative interest and low margins, relatively low commodity and energy prices and regulatory developments. Litigation expenses and penalties together with cyber security attacks still represent a risk that is both large and difficult to quantify. The banking industry will once again probably develop differently than the overall (real) economy.

Overall, the potential for earnings growth within the banking sector must be viewed with caution in light of the aforementioned factors. Although financial institutions benefit from favorable refinancing costs, the administrative costs nevertheless continue to rise despite all of the efforts to restructure; moreover, the geopolitical risks impact investor behavior and thus the prospects for closing transactions.

## 9. PROFIT FORECASTS OR ESTIMATES

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

## 10. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

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

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

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

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

- Stefan Wintels (Chief Executive Officer (CEO)), Frankfurt am Main, Director, Strategy, Business Planning, Client Relationship (Bank), Public Relations, Investment Banking and Human Resources;
- Dr. Silvia Carpitella, Frankfurt am Main, Director, Accounting, Balance & Forecast, Corporate Treasury / Liquidity Management and Tax Department;
- Thomas Falk, Hochheim/Main, Director, Risk Controlling and Loans (back office);
- Stefan Hafke, Kelkheim, Director, Corporate Banking/Loans (market), Transaction Banking and Commercial Banking;
- Andreas Hamm, Dreieich, Director, Internal Organization, Transaction Settlement, Information Technology and Operations & Technology Risk & Control, Asset Finance Operations, Organizational, Settlement & Outsourcing Control;
- Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Director, Legal Department, Secretary Office of the Board, Regulatory Matters, Asset Finance (Gamma), Fixed Income Research and Corporate Security & Investigations;
- Christian Spieler, Bad Homburg v.d.H., Director, Equity and Equity Derivatives Sales, Sales and Trading Equity and Warrants Business, Real Estate Brokerage, Distribution of Fixed Income and Credit Derivatives & Structured Finance Solutions, Foreign Exchange Sales & Management, Bond Issues Business, Liquidity Management, Private Banking, Securities Services Business, Structuring Fixed Income Derivatives and Sales of Issuance Business;

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

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

- None.

## 11. CONFLICTS OF INTEREST

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

## 12. MAJOR SHAREHOLDERS

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

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

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

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

Furthermore, it should be noted that Citigroup is continuously verifying the appropriateness of its organizational structure.

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

### 14.1 Financial statements

The Issuer's annual financial statements for fiscal year 2016 and 2015 respectively are included in this Registration Document in Annex I on pages F-1 through F-38 (2016) and in Annex II on pages G-1 through G-39 (2015).

### 14.2 Auditing of historical annual financial information

The annual financial statements including the bookkeeping system for the business years 2016 and 2015, which are included in this document, were audited by the Issuer's statutory auditor and certified with an unqualified auditor's opinion.

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

There has been no material change in the Issuer's financial condition or trading position since the end of the fiscal year completed on 30 November 2016.

## 15. LEGAL AND ARBITRATION PROCEEDINGS

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer’s financial position or profitability.

## 16. MATERIAL CONTRACTS

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

## 17. STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTERESTS

None.

## 18. DOCUMENTS ON DISPLAY

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

(a) the Issuer's articles of association;

(b) the audited annual financial statements of the Issuer for the fiscal years 2016 and 2015.

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

ANNEX I: FINANCIAL INFORMATION FOR FISCAL YEAR 2016



The rest of this page has been deliberately left blank.

# Balance Sheet as of November 30 2016
# Citigroup Global Markets Deutschland AG, Frankfurt am Main

| Assets | | EUR | EUR | EUR | 11/30/2015 TEUR |
|---|---|---|---|---|---|
| **1. Cash reserve** | | | | | |
| a) Cash on hand | | | -.-- | | - |
| b) Credit balances held at central banks | | | 28,221,777.57 | | 33,348 |
| of which: at the German *Bundesbank* (German Central Bank) | | | | | |
| EUR 28,221,777.57 | (11/30/2015 TEUR 33,348 ) | | | | |
| c) Credit balances held at post giro offices | | | -.-- | 28,221,777.57 | 33,348 |
| **2. Receivables from banks** | | | | | |
| a) Due upon demand | | | | 130,581,462.35 | 117,644 |
| b) Other receivables | | | | 3,212,764,867.99 | 3,353,837 |
| **3. Receivables from clients** | | | | 146,026,897.76 | 219,548 |
| of which: secured through *in rem* security | | | | | |
| interests *(Grundpfandrechte)* EUR -.-- | (11/30/2015 TEUR - ) | | | | |
| municipal loans EUR -.-- | (11/30/2015 TEUR - ) | | | | |
| **4. Debt securities and other fixed-income securities** | | | | | |
| a) Money market paper | | | | | |
| aa) issued by government entities | | -.-- | | | - |
| ab) issued by other entities | | -.-- | -.-- | | - |
| b) Bonds and debt securities | | | | | |
| ba) issued by government entities | | -.-- | | | - |
| of which: qualifying as collateral for the German | | | | | |
| Bundesbank EUR -.-- | (11/30/2015 TEUR - ) | | | | |
| bb) issued by other entities | | -.-- | -.-- | | - |
| of which: qualifying as collateral for the German | | | | | |
| Bundesbank EUR -.-- | (11/30/2015 TEUR - ) | | | | |
| c) Own debt securities | | | -.-- | -.-- | - |
| face evalue EUR -.-- | (11/30/2015 TEUR - ) | | | | |
| **5. Stocks and other variable-yield securities** | | | | -.-- | - |

| | | | |
|---|---|---|---|
| **5a Trading portfolio** | | 4,596,319,819.18 | 7,466,828 |
| **6. Equity investments** | | 1,135,714.07 | 1,354 |
| of which: held in banks EUR -.-- (11/30/2015 TEUR 218 ) | | | |
| held in financial service institutions EUR -.-- (11/30/2015 TEUR - ) | | | |
| **7. Intangible assets** | | | |
| a) Internally generated industrial property rights and similar rights and assets | -.-- | | - |
| b) Paid-for concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | -.-- | | - |
| c) Goodwill | -.-- | | - |
| d) Prepayments | -.-- | -.-- | - |
| **8. Tangible assets** | | 2,678,865.74 | 1,515 |
| **9. Other assets** | | 15,592,438.28 | 9,161 |
| **10. Prepaid and deferred items** | | 1,440,897.52 | 2,586 |
| **11. Excess of plan assets over post-employment benefit liability** | | 0.00 | - |
| **Total assets** | | 8,134,762,740.46 | 11,205,821 |

| | | EUR | EUR | EUR | Liabilities<br>11/30/2015 TEUR |
|---|---|---|---|---|---|
| **1. Liabilities owed to banks** | | | | | |
| a) Payable on demand | | | | 708,835,871.40 | 924,329 |
| b) Having an agreed term or notice period | | | | 17,307,466.13 | 22,579 |
| **2. Liabilities owed to clients** | | | | | |
| a) Savings deposits | | | | | |
| aa) with an agreed notice period of three months | | -.-- | | | - |
| ab) with agreed notice period of more than three months | | -.-- | -.-- | | - |
| b) Other liabilities | | | | | |
| ba) payable on demand | | 1,208,507,432.87 | | | 1,199,094 |
| bb) having an agreed term or notice period | | 830,225,433.74 | 2,038,732,866.61 | 2,038,732,866.61 | 854,606 |
| **3. Securitised liabilities** | | | | | |
| a) Issued debt securities | | | -.-- | | - |
| b) Other securitised liabilities | | | -.-- | | - |
| of which: | | | | | |
| Money market paper | EUR -.-- (11/30/2015 TEUR - ) | | | | |
| Own acceptances and promisory notes outstanding | EUR -.-- (11/30/2015 TEUR - ) | | | | |
| c) Miscellaneous securitized liabilities | | -.-- | -.-- | -.-- | - |
| **3a Trading portfolio** | | | | 4,624,978,513.46 | 7,480,415 |
| **4. Other liabilities** | | | | 65,669,924.79 | 49,831 |
| **5. Deferred income** | | | | 249,835.90 | 245 |

| | | | | |
|---|---|---|---|---|
| **6. Accrued liabilities** | | | | |
| a) Pensions and similar obligations | | 11,966,239.00 | | 14,892 |
| b) Tax reserves | | -.-- | | - |
| c) Other accrued liabilities | | 50,797,725.74 | 62,763,964.74 | 43,605 |
| **7. Funds for general bank risks as defined in § 340e (4) HGB** | | | 25,743,512.35 | 25,744 |
| **8. Equity capital** | | | | |
| a) Subscribed capital | | | | |
| aa) registered share capital | 210,569,889.00 | | | 210,570 |
| ab) silent partner capital | -.-- | 210,569,889.00 | | - |
| b) Capital reserve | 318,967,162.22 | 318,967,162.22 | | 318,967 |
| c) Earnings reserves | | | | |
| ca) legal reserve | 33,027,197.15 | | | 33,027 |
| cb) reserves for treasury shares | -.-- | | | - |
| cc) reserves required by articles of association | -.-- | | | - |
| cd) other earnings reserves | 27,916,536.71 | 60,943,733.86 | | 27,917 |
| d) Unappropriated earnings/loss (balance sheet profit/loss) | | -.-- | 590,480,785.08 | 590,481 |
| **Total liabilities and equity capital** | | | 8,134,762,740.46 | 11,205,821 |

| | EUR | EUR | 11/30/2015 TEUR |
|---|---|---|---|
| **1. Contingent liabilities** | | | |
| a) Contingent liabilities arising from transferred and cleared bills of exchange | -.-- | | - |
| b) Liabilities arising from guarantees and warranty contracts | 475,091,677.84 | | 525,649 |
| c) Liabilities arising from security furnished on behalf of third parties | -.-- | 475,091,677.84 | - |
| **2. Other obligations** | | | |
| a) Redemption obligations under repurchase agreements | -.-- | | - |
| b) Placement and underwriting obligations | -.-- | | - |
| c) Irrevocable lines of credit | 428,167,011.03 | 428,167,011.03 | 581,284 |

# Income Statement

## for the period of December 1, 2015 through November 30, 2016

## Citigroup Global Markets Deutschland AG, Frankfurt am Main

| | EUR | EUR | EUR | 12/1/2014-11/30/2015 TEUR |
|---|---|---|---|---|
| **1. Interest income from** | | | | |
| a) Loans and money market transactions | 6,231,342.65 | | | 5,163 |
| **2. Negative interest income from** | | | | |
| a) Loans and money market transactions | 12,936,372.17 | - 6,705,029.52 | | 4,020 |
| **3. Interest expenses** | 2,649,165.67 | | | 2,911 |
| **4. Positive interest from loans and money market transactions** | 5,192,475.77 | 2,543,310.10 | - 4,161,719.42 | 2,126 |
| **5. Current income from** | | | | |
| a) Shares and other variable-yield securities | | -. -- | | 1,030 |
| b) Equity investments | | 290,679.36 | | - |
| c) Interests in affiliated enterprises | | -. -- | 290,679.36 | - |
| **6. Commission income** | | 163,998,922.30 | | 148,461 |
| **7. Commission expenses** | | 3,666,858.98 | 160,332,063.32 | 2,464 |
| **8. Net income from financial trading operations** | | | 51,619,591.39 | 55,086 |
| included therein are deposits into special accounts per § 340g HGB EUR 0.00 (12/1/2014-11/30/2015 TEUR 6,121) | | | | |
| **9. Other operating expenses** | | | 1,512,994.39 | 5,542 |
| **10. General administrative expenses** | | | | |
| a) Personnel expenses | | | | |
| aa) wages and salaries | 70,347,221.54 | | | 61,126 |
| ab) social security contributions, pension and welfare expenses | 5,029,649.59 | 75,376,871.13 | | 9,838 |
| of which: for pensions EUR 1,429,751.05 (12/1/2014-11/30/2015 TEUR 6,188) | | | | |
| b) other administrative expenses | | 75,057,369.95 | 150,434,241.08 | 71,766 |
| **11. Depreciation, amortisation and write-downs of tangible and intangible assets** | | | 763,280.30 | 537 |
| **12. Other operating expenses** | | | 12,680,655.80 | 32,064 |
| **13. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves** | | -.-- | | - |

| | | | |
|---|---|---|---|
| **14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves** | 139,230.28 | 139,230.28 | 972 |
| **15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities** | | -.-- | - |
| **16. Results from ordinary operations** | | 45,854,662.14 | 33,654 |
| **17. Extraordinary income** | | -. -- | - |
| **18. Extraordinary expenses** | | -. -- | - |
| **19. Extraordinary result** | | -. -- | - |
| **20. Taxes on income and earnings** | 392,223.71 | | 776 |
| **21. Other taxes, to the extent not included in item 12** | -.-- | 392,223.71 | - |
| **22. Income from loss transfers** | | -. -- | - |
| **23. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement** | | 45,462,438.43 | 32,878 |
| **24. Annual net income** | | -. -- | - |
| **25. Profit carried forward/loss carried forward from prior year** | | -. -- | - |
| | | -. -- | - |
| **26. Transfers from capital reserves** | | -. -- | - |
| | | -. -- | - |
| **27. Transfers from earnings reserves** | | | |
| a) from legal reserve | -. -- | | - |
| b) from reserve for treasury shares | -. -- | | - |
| c) from reserves required by the Bank's articles of association | -. -- | | - |
| d) from earnings reserves | -. -- | -. -- | - |
| | | -. -- | - |
| **28. Transfers from capital participation rights *(Genussrechtskapital)*** | | -. -- | - |
| | | -. -- | - |
| **29. Transfers to earnings reserves** | | | |
| a) to legal reserve | -. -- | | - |
| b) to reserve for treasury shares | -. -- | | - |
| c) to reserves required by the Bank's articles of association | -. -- | | - |
| d) to other earnings reserves | -. -- | -. -- | - |
| | | -. -- | - |
| **30. Replenishment of capital with profit participation rights** | | -. -- | - |
| **31. Unappropriated earnings (balance sheet profit)** | | -. -- | - |

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

| | 2016<br>TEUR | Prior year<br>TEUR |
|---|---|---|
| **Annual Net Income** | **0** | **0** |
| *Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:* | | |
| Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial assets | -1,248 | -6,907 |
| Change in accruals | 6,171 | 29,314 |
| Changes in other non-cash expenses/income | -139 | 5,148 |
| Gain/loss from the sale of financial and tangible assets | -106 | 74 |
| Other adjustments (in net terms) | -1,625 | -8,102 |
| **Subtotal:** | **3,053** | **19,527** |
| *Change in assets and liabilities from current operating activities:* | | |
| *Receivables:* | | |
| - from banks | 128,134 | -269,415 |
| - from clients | 73,660 | 27,955 |
| Debt securities and other fixed-income securities | - | - |
| Trading portfolio assets | 2,870,508 | -2,323,284 |
| Other assets from current operating activities | -5,286 | 12,914 |
| *Liabilities:* | | |
| - owed to banks | -220,764 | 59,593 |
| - owed to clients | -14,967 | 150,590 |
| Securitized liabilities | - | - |
| Trading portfolio liabilities | -2,855,437 | 2,366,266 |
| Other liabilities from current operating activities | 49,626 | 41,440 |
| Interest and dividend payments received | 16,986 | 14,776 |
| Interest paid | -15,405 | -6,673 |
| Income tax payments | 44 | -1 |
| **Cash flow from current operating activities** | **30,152** | **93,688** |
| *Payments received from the sale of* | | |
| - Financial assets | 1,302 | 1,182 |
| - Tangible assets | 330 | 1 |
| *Payments made for investments in* | | |
| - Financial assets | -1,775 | -1,371 |
| - Tangible assets | -2,257 | -557 |
| Payments received from the sale of consolidated companies and other business units | - | - |
| Payments made for the purchase of consolidated companies in other business units | - | - |
| Change in cash resources based on investing activities (in net terms) | - | - |
| **Cash flow from investing activities** | **-2,400** | **-745** |
| Payments received from contributions to equity capital (capital increases, sale of own shares, etc.) | - | 122,710 |
| *Payments made to company owners:* | | |
| - Dividend payments | -32,878 | -125,671 |
| - Other outgoing payments | - | - |
| Change in cash resources other capital (in net terms) | - | -122,710 |
| **Cash flow from financing activities** | -32,878 | **-125,671** |
| **Cash and cash equivalents at the end of previous period** | **33,348** | **66,076** |
| Cash flow from current operating activities | 30,152 | 93,688 |
| Cash flow from investing activities | -2,400 | -745 |
| Cash flow from financing activities | -32,878 | -125,671 |
| **Cash and cash equivalents at the end of the period** | **28,222** | **33,348** |

## Statement of Changes in Equity

The Bank's equity capital consists of the following:

| | Share capital | Capital reserve | Earnings reserves | Unappro-priated profit/loss | Total equity capital |
|---|---|---|---|---|---|
| | TEUR | TEUR | TEUR | TEUR | TEUR |
| **Per November 30, 2015** | 210,570 | 318,966 | 60,944 | - | 590,480 |
| Capital increases/ sale of own shares | - | - | - | - | - |
| Capital reductions/share repurchases | - | - | - | - | - |
| Dividends paid | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Annual result 2015 | - | - | - | - | - |
| **Per November 30, 2016** | 210,570 | 318,966 | 60,944 | - | 590,480 |

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

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

# Notes to the Financial Statements for Fiscal Year 2016

## 1. Bases of the Accounting

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

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

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

The annual financial statements for fiscal year 2016 were prepared in accordance with the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

## 2. Accounting and Valuation Methods

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

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

As of November 30, 2016, the risk discount equaled TEUR 219 for the foreign currency risk trading book, TEUR 4,003 for the equities and index risk trading book, and TEUR 379 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a “market value adjustment” totaling TEUR 949, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

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

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

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

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

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

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

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

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

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of five issued ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness known as a "*Schuldschein"*) and a face value totaling TEUR 45,000.0. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,224 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions (*Schuldscheindarlehen*) resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 11,485 higher than the book value. The increase in market value of the hedges was also not booked. The Bank applies the net hedge presentation method [*Einfrierungsmethode*] for the hedge established under § 254 HGB. It intends to preserve the hedge until the underlying transactions expire. The prospective and retrospective effectiveness testing is done using the critical term match method.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on by affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2016, CGMD had calculated an amount of TEUR 1,052 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

In order to calculate the present cash value, a discount rate of 4.03 % based on a 15-year term in accordance with the rules of the German Act to Modernize Accounting Law (BilMoG) was used as the basis. Pursuant to § 253 (2) sentence 1 HGB, the average market rate of the previous ten fiscal years was used in this fiscal year (in the prior year, the average market rate of the previous seven fiscal years was used). With respect to the resulting difference, we refer to our comments on page 8 regarding the total sum of the amounts barred from payout distribution. Future salary and wage increases were estimated at 2.25%, and at the same time, a 1.8% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables

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

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 4,464.0 (prior year: TEUR 22,317.4), while the change in the fair value of the plan assets resulted in income of TEUR 1,541.4 (prior year: TEUR 6,293.1). These earnings components are netted and then reported under other operating expenses. The standard allocation [*Regelzuführung*] produces an expense in the amount of TEUR 800.2 (prior year: expense TEUR 5,070.6).

On the balance sheet date, the fair value of the plan assets that are subject to netting equaled TEUR 172,594.8 (prior year: TEUR 171,053.4). The settlement amount of the pension obligations subject to netting equaled TEUR 177,678.2 (prior year: TEUR 178,066.8) on the balance sheet date. The settlement amount that exceeded the plan assets as of the balance sheet and that equaled TEUR 5,083.4 was shown under line item "Excess of plan assets over post-employment benefit liability" (prior year: TEUR 7,013.4).

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

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

The acquisition costs of the fund units in the PAS Fund (**Sondervermögen PAS)** equal TEUR 4,029.2. On the balance sheet date, the fair value of the PAS Fund assets to be netted equaled TEUR 9,612.7 (prior year: TEUR 10,428.8). The settlement amount of the liabilities to be netted equaled TEUR 9,612.7 (prior year: TEUR 10,428.8).

In the current fiscal year, the change in the fair value (market value) of the plan assets produced an expense in the amount of TEUR 816.0 (prior year income: TEUR 1,102.3). Since the liability under the PAS plan is linked to the fair value of the PAS fund, this yielded income from discounting the liabilities in the amount of TEUR 816.0 (prior year expense: TEUR 1,246.7). In the fiscal year, no current income was accrued (prior year: TEUR 144.6). These components of the result are reported on a net basis.

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 8,976.1. On the balance sheet date, the fair value (market value) of the netted assets of the deferred compensation fund was TEUR 10,188.9 (prior year: TEUR 10,489.3). The settlement amount of the liabilities to be netted equaled TEUR 10,188.9 (prior year: TEUR 10,489.3).

In the current fiscal year, the discounting of the obligations produced an expense in the amount of TEUR 65.2 (prior year: interest expense of TEUR 31.5), and the change in the fair value of the plan assets yielded income of TEUR 65.2 (prior year: income TEUR 31.5). These components of the result are netted.

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

In the current fiscal year, the accrual of interest on the pension obligations generated an expense totaling TEUR 1,879.9 (prior year: TEUR 4,667.8). The change in the fair value of the plan assets resulted in income of TEUR 1,220.8 (prior year: income TEUR 16.9). No current income was accrued during this fiscal year (prior year: TEUR 91.2). These components of the result are netted and reported under other operating expenses. These components of the result are netted and reported under other operating expenses. The standard allocation produces an expense in the amount of TEUR 98.5 (prior year: TEUR 165.6).

On the balance sheet date, the fair value of the plan assets subject to netting equaled TEUR 47,032.4 (prior year: TEUR 44,649.1). The settlement amount of the pension obligations subject to netting was TEUR 53,915.2 (prior year: TEUR 52,527.8) on the balance sheet date. The settlement amount exceeding the plan assets as of the balance sheet date totaled TEUR 6,882.8 (prior year: TEUR 7,878.7) and was reported as an accrued liability under the item “pensions and similar obligations”.

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

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

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

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

On the balance sheet date, the settlement amount for the early retirement obligations equaled TEUR 3,547.2 (prior year: TEUR 4,527.2). The fair value of the pledged reinsurance policies in the amount of TEUR 2,739.8 (prior year: TEUR 3,731.6) was netted against the settlement amount of the early retirement obligations. The settlement amount exceeding the plan assets on the settlement date and totaling TEUR 807.4 (prior year: TEUR 795.6) was shown under the line item, “Other accrued liabilities”. In the current fiscal year, an expense in the amount of TEUR 133.3 (prior year: TEUR 230.9) arises from the accrual of interest on the obligations, while income in the amount of TEUR 83.8 (prior year: TEUR 54.0) is yielded from a change in the fair value of the plan assets. These components of the result are netted and reported under other operating expenses.

The standard allocation produces an expense in the amount of TEUR 327.5 (prior year: TEUR 807.4).

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

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

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

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their contractually prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank's own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a rate with no risk premium. Viewed as of November 30, 2016, the fictitious closeouts have little effect on the present cash value reported in the banking book. The applied risk costs recognized in the banking book were calculated using a scenario computation taken from risk management. The administrative costs were derived from the internal accounts.

The calculation as of November 30, 2016 did not produce a need for setting aside a provision to cover threatened losses from the valuation of interest-rate driven transactions.

The **total sum of the amounts, which are barred from payout distribution** amounted to TEUR 104,897.6 (prior year: TEUR 80,153.7). The amount barred from payout distribution within the meaning of § 268 (8) HGB equals TEUR 82,165.2 (prior year: TEUR 80,153.7), is yielded entirely from the capitalization of the plan assets at fair value in the amount of TEUR 239,428.9 (prior year: 236,620.5). The amount barred from payout distribution within the meaning of § 253 (6) sentence 1 HGB equals TEUR 22,732.4 (prior year: TEUR 0) is yielded from the difference between the valuation of the pension provisions using the 10-year average interest rate pursuant to § 253 (2) sentence 1 HGB and the 7-year average interest rate. The freely available provisions exceed the total sum of the amounts that are barred from payout distribution.

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

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

At the start of the most recently completed fiscal year, Citigroup changed the method of its transfer pricing system for most of its products. In so doing, the method of cost plus offsetting, which had been used in prior years, was replaced by a process that is based on the value-added chain. The compensation of the business units involved in the business process is now a percentage of earnings according to their roles in the overall process.

Negative interest income and negative interest expenses are shown in the income statement line items no. 2 “Negative interest income” or no. 4 “Positive interest from loans and money market transactions” in accordance with § 340c (1) and (2) HGB in combination with § 265 (5) HGB.

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

## 3. Notes on the Balance Sheet

### a) Assets based on term to maturity

| Receivables from banks | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| a) payable on demand | 130,581 | 117,644 |
| b) up to three months | 3,212,800 | 3,353,600 |
| accrued interest | -35 | 237 |
| | 3,343,346 | 3,471,481 |

| Receivables from clients | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| a) up to three months | 141.229 | 152,656 |
| b) more than three months and up to one year | 4.557 | 66,593 |
| accrued interest | 241 | 299 |
| | 146.027 | 219.548 |

| Liabilities owed to banks | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| a) payable on demand | 708,836 | 924,328 |
| b) up to three months | 17,352 | 22,511 |
| accrued interest | -45 | 69 |
| | 726,143 | 946,908 |

| Liabilities owed to clients | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| payable on demand | 1,208,508 | 1,199,095 |
| a) up to three months | 785,000 | 804,417 |
| b) more than three months and up to one year | 5,000 | 5,000 |
| c) more than one year and up to five years | 10,000 | 15,000 |
| d) more than five years | 30,000 | 30,000 |
| accrued interest | 225 | 189 |
| | 2,038,733 | 2,053,701 |

## b) Fixed asset movement schedule

| | Original acquisition costs | | Reversal of write-downs (cumulative write-ups) | | Accumulated depreciation, amortization and write-downs | | Book values | |
|---|---|---|---|---|---|---|---|---|
| | Nov. 30, 2015 | Additions (Disposals) Reposting | Nov. 30, 2015 | Additions | Nov. 30, 2015 | Additions (Disposals) Reposting | Nov. 30, 2015 | Nov. 30, 2015 |
| | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| Intangible assets acquired for consideration | 5,211 | - | - | - | 5,211 | - | - | - |
| Office and plant equipment | 8,963 | 563<br>(139) | - | - | 8,328 | 325<br>(139) | 873 | 636 |
| Leasehold improvements | 13,463 | 1.590 | - | - | 12,920 | 438 | 1,695 | 542 |
| Construction in progress | 337 | 104<br>(330) | - | - | - | - | 111 | 337 |
| Equity investments | 1,354 | -<br>(218) | - | - | - | - | 1,136 | 1,354 |
| Total | 29,328 | 2,257<br>(687) | - | - | 26,459 | 763<br>(139) | 3,815 | 2,869 |

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

Depreciation, amortization and write-downs relating to the additions made during the fiscal year equaled TEUR 132.

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

| | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| Receivables from banks | 496,227 | 1,290,100 |
| Receivables from clients | 30,731 | 5,986 |
| Other assets | - | 814 |
| Liabilities owed to banks | 580,110 | 814,324 |
| Liabilities owed to clients | 951,160 | 907,751 |
| Other liabilities | 46,064 | 37,478 |

### d) Assets and liabilities denominated in foreign currencies

| | Nov 30, 2016 | Nov 30, 2015 |
|---|---|---|
| | TEUR | TEUR |
| Assets | 117,253 | 14 |
| Liabilities | 193,885 | 2,383 |

### e) Other notes

The asset item shown on the balance sheet, trading portfolio (line item 5a), is divided into derivative financial instruments totaling EUR 3,534.6 million (prior year: EUR 6,404.2 million), debt securities and other fixed-income securities in the amount of EUR 702.0 million (prior year: EUR 685.5 million), and shares and other variable-yield securities in the amount of EUR 359.7 million (prior year: EUR 377.2 million). Of the debt securities and other fixed income securities, EUR 702.0 million (prior year: EUR 685.5 million) were eligible and listed for trading on a stock market. Of the shares and variable-yield securities, EUR 359.7 million (prior year: EUR 377.2 million) were eligible and listed for trading on a stock market.

The equity investments totaling EUR 1.1 million (prior year: EUR 1.4 million) are not eligible for trading on a stock market.

The item shown as other assets in the amount of EUR 15.6 million (prior year: EUR 9.2 million) includes primarily tax receivables of EUR 6.0 million (prior year: EUR 6.0 million), claims under reinsurance policies of EUR 0.6 million (prior year: EUR 1.0 million) and receivables from initial margin EUR 8.1 million (prior year: 0).

The liability item shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of EUR 3,621 million (prior year: EUR 6,449.0 million) and liabilities arising from issued and outstanding debt securities in the amount of EUR 1,004.0 million (prior year: EUR 981.4 million).

The item, other liabilities, in the amount of EUR 65.7 million (prior year: EUR 49.8 million) relates primarily to liabilities under the profit transfer obligations totaling EUR 45.5 million (prior year: EUR 32.9 million), liabilities arising from the restructuring and totaling EUR 3.8 million (prior year: EUR 1.1 million) and value added tax in the amount of EUR 0.9 million (prior year: EUR 0.9 million) and investment income withholding tax in the amount of EUR 0.8 million (prior year receivables EUR 0.1 million.

The item entitled "other accrued liabilities" relates primarily to the provisions made for bonuses and provisions for restructuring and early retirement. The provisions for bonuses were booked on the basis of the individual employees in an amount of EUR 25.8 million (prior year: EUR 22.8 million). Provisions in the amount of EUR 9.2 million (prior year: EUR 5.2 million) relate to unpaid investment income withholding tax for prior business years. Provisions for restructuring in the fiscal year amount to EUR 0.5 million (prior year: EUR 1.7 million). Provisions for early retirement equaled EUR 0.8 million (prior year: 0.8 million) after setting-off the pledged re-insurance policies in the amount of EUR 2.7 million (prior year: EUR 3.7 million).

The contingent liabilities relate to guarantees and warranty contracts. These agreements stem from guarantees made in the amount of EUR 475.1 (prior year: EUR 525.6 million). The Bank believes that the likelihood that claims will be made under the guarantees and warranty contracts, which are shown in the balance sheet, is small due to the current credit-standing of the beneficiaries. We have found no evidence that would compel us to reach a different conclusion.

Of the irrevocable credit lines granted in the amount of EUR 428.2 million (prior year: EUR 581.3 million), EUR 416.5 million (prior year: EUR 581.3 million) have a term to maturity of more than one year, EUR 11.7 million have a term of less than one year (prior year: EUR 0). The lines of credit have been granted exclusively to non-banks.

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

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

### f) Other contingent liabilities

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

Moreover, since 2009, the Bank has taken the opportunity of participating in the credit filing system [*Krediteinreichungsverfahren*] of the German Central Bank [*Bundesbank*], Frankfurt am Main, pursuant to which the credit commitment on file serves as security for the cash funds received. CGMD participated in the credit filing system in the fiscal year.

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

### g) Other financial liabilities

Financial liabilities of EUR 3.4 million *per annum* exist under leases that run until the end of their term on 30 June 2020.

## 4. Notes on the Income Statement

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

The persistently low interest rates, the negative yield made on deposits with the ECB as well as the weak demand for loans led to a negative net interest income of EUR 4.2 million (prior year: positive net interest income of EUR 0.4 million). Of the negative interest income from loans and money market transactions totaling EUR 6.7 million (prior year: positive interest income of EUR 1.1 million), EUR 6.2 million (prior year: EUR 5.2 million) was attributable to positive interest income and EUR 12.9 million (prior year: EUR 4.0 million) was attributable to negative interest income. Of the negative interest expenses totaling EUR 2.5 million (prior year positive interest expenses of EUR 0.8 million), EUR 2.7 million (prior year: 2.9 million) is attributable to interest expenses and EUR 5.2 million (prior year: 2.1 million) is attributable to positive interest from credit and money market transactions.

Commission income increased by EUR 15.5 million to EUR 164.0 million (prior year: EUR 148.5 million). This is made up primarily of brokerage commissions earned by affiliated enterprises totaling EUR 108.1 million (prior year: 85.5 million), commissions from securities transactions of EUR 24.2 million (prior year: 23.2 million) and commissions from Eurex products of EUR 15.6 million (prior year: 20.9 million)

Commission expenses equaled EUR 3.7 million (prior year: EUR 2.5 million) and included mostly intra-group cost sharing for relationship management.

The net income of the trading portfolio resulted primarily from gains and losses of the currency risk trading book in the amount of EUR 12.2 million (prior year: EUR 12.2 million) and of the equities and index risk trading book in the amount of EUR 39.1 million (prior year: EUR 49.9 million). The negative result reported in the other trading book equals EUR 0.3 million (prior year: negative result of EUR 0.9 million) and consists mostly of results from warrants traded on commodities and precious metals and from exchange-traded futures transactions on commodities and precious metals. The negative result in the interest rate risk trading book is TEUR 3.8 (prior year: positive result TEUR 4.6) and includes results from interest rate swap agreements.
Under the item, net income from financial trading operations, no amounts were deducted during the fiscal year pursuant to § 340e (4) HGB (prior year EUR 6.1 million). There were no allocations to the fund for general bank risks in accordance with § 340g HGB because the statutory minimum for the fund has been reached.

Other operating income equaled EUR 1.5 million (prior year: EUR 5.5 million) and included mostly income from the write-back of provisions in the amount of EUR 0.1

million (prior year: EUR 1.3 million) and income derived from cost set-offs with affiliated enterprises in the amount of EUR 1.1 million (prior year: EUR 1.0 million) and income from subleasing in the amount of EUR 0.3 million (prior year EUR 0.3 million). The item “other operating income” does not include any income that is unrelated to the accounting period (prior year: EUR 0).

Personnel expenses rose by EUR 4.4 million to EUR 75.4 million (prior year: EUR 71.0 million). The change can be traced mostly to the allocation for restructuring and bonus reserves.

The other administrative expenses total EUR 75.1 million (prior year: EUR 71.8 million) and consist primarily of processing costs of Citigroup, Citi charge-outs, custody fees, rents and costs for the listing of derivative products.

The other operating expenses equaled EUR 12.7 million (prior year: EUR 32.1 million) and included mostly expenses and income (net) from valuing the plan assets [*Pensionsdeckungsvermögens*] and the pension obligations in the amount of EUR 3.6 million (prior year: EUR 20.8 million) and additions to provisions in connection with unpaid investment income withholding tax for past business years in the amount of EUR 4.0 million (prior year: EUR 5.2 million). Operating expenses also includes losses in the amount of EUR 1.1 million (prior year: EUR 0) from the sale of a receivable.

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In the fiscal year, the Bank booked taxes on income and earnings from earlier years in the amount of EUR 0.4 million (prior year: EUR 0.8 million). Of that amount, EUR 0.0 million relate to taxes on income and earnings from prior years (prior year: EUR 0.3 million).

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

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, in the amount of EUR 45.5 million.

## 5. Fee of the Annual Accounts Auditor

The total fee charged by the annual accounts auditor for fiscal year 2016 includes:

| | |
|---|---|
| a) Annual audit services | EUR 919,000.00 |
| b) Other consulting services | EUR 139,500.00 |
| c) Tax advisory services | EUR 0.00 |
| d) Miscellaneous services | EUR 5,000.00 |
| e) Expenses | EUR 149,950.00 |
| f) Total | EUR 1,209,450.00 |

## 6. Notes on Derivative Transactions

### a) Types of derivative transactions

As of November 30, 2016, the Bank's derivative transactions included the following types of transactions:

#### aa) Trading transactions

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

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

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

## b) Maturities of derivatives

The total volume of derivative transactions can be classified according to maturities per November 30, 2016:

### ba) Foreign currency risk trading book

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **OTC currency options** | | | | | |
| Bought | 37 | 2 | - | 39 | 0.7 |
| Sold | - | - | - | - | - |
| **Currency warrants** | | | | | |
| Own issues | | | | | |
| Bought | 236 | 2 | 344 | 582 | 33.2 |
| Sold | 294 | 5 | 370 | 669 | ./. 36.2 |
| **Exchange-traded futures** | | | | | |
| **Foreign exchange certificates** | | | | | |
| Bought | 16 | - | - | 16 | 0.4 |
| Sold | 2 | - | - | 2 | - |

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

## bb) Equities and index trading book

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Equity warrants** | | | | | |
| Own issues | | | | | |
| Bought | 4,427 | 816 | 2,984 | 8,227 | 1,613.0 |
| Sold | 6,312 | 1,296 | 3,178 | 10,786 | ./. 1,721.0 |
| **Third party index warrant issuers** | | | | | |
| Bought | 13 | - | - | 13 | 0.5 |
| **Index warrants** | | | | | |
| Own issues | | | | | |
| Bought | 18,677 | 69 | 11,047 | 29,793 | 1,812.1 |
| Sold | 19,422 | 87 | 11,212 | 30,721 | ./.1,833.6 |
| **Exchange-traded index futures** | | | | | |
| Bought | 112 | - | - | 112 | 0.4 |
| Sold | 237 | - | - | 237 | ./. 0.7 |
| **Exchange-traded index options** | | | | | |
| Bought | 383 | 13 | - | 396 | 5.1 |
| Sold | 185 | 16 | - | 201 | ./. 4.2 |
| **Exchange-traded stock options** | | | | | |
| Bought | 1,193 | 335 | - | 1,528 | 56.1 |
| Sold | 76 | 14 | - | 90 | ./. 5.2 |
| **Index and equity certificates** | | | | | |
| Own issues | | | | | |
| Bought | 124 | 4 | 376 | 504 | 702.0 |
| Sold | 369 | 39 | 347 | 755 | ./. 1,004.0 |

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

## bc) Other trading operations

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Warrants on commodities and precious metals** | | | | | |
| Own issue | | | | | |
| Bought | 13 | - | 74 | 87 | 18.9 |
| Sold | 19 | 1 | 77 | 97 | ./.19.9 |
| **Exchange-traded precious metal futures** | | | | | |
| Bought | 7 | - | - | 7 | 0.2 |
| Sold | 4 | - | - | 4 | ./ 0.1 |

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

### c) Counterparty credit risk in derivatives trading

As of November 30, 2016, the credit equivalents under the CCR (Counterparty Credit Risk) before credit risk weighting and after regulatory netting are as follows:

| Credit risk | Companies and individuals and public bodies, including central banks from Zone B | Credit institutions from Zone A | Credit institutions from Zone B |
|---|---|---|---|
| Product group | Credit equivalent in EUR '000 | | |
| Foreign currency risk and other price risks trading book | 2,593 | 212,707 | - |
| Other trading transactions | - | 11,347 | - |
| Total | 2,593 | 224,054 | - |

### d) Non-settled forward transactions

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

## 7. Miscellaneous notes

CGMD is included in the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Reuterweg 16, 60323 Frankfurt am Main, which is where the subgroup financial statements of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG can also be obtained. Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is included in the consolidated financial statements of Citigroup Inc., 388 Greenwich Street in New York, as the ultimate group parent company, which is where the Citigroup consolidated financial statements can also be obtained.

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

The CGMD Executive Board consist of the following members

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

The Supervisory Board consists of the following members:

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

During fiscal year 2016, the Bank employed an average of 268 persons. The average period of employment for staff members as of November 30, 2016 was as follows:

| | | |
|---|---|---|
| 102 | Employees | up to 5 years |
| 57 | Employees | 6-10 years |
| 59 | Employees | 11-20 years |
| 41 | Employees | 21 years or more |
| 266 | | |

In the fiscal year, total remuneration (including stock options granted) of the Executive Board was TEUR 7,051.3. Pension obligations totaled approximately TEUR 2,356.9. In the reporting year, total remuneration (including stock options exercised) of former members of management bodies and their survivors totaled approximately TEUR 1,622.5. Liabilities for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 44,191.2.

On the basis of the equity-based remuneration, approximately 26.6 thousand shares amounting to USD 1,569.3 thousand were granted as variable compensation.

In fiscal year 2015, supervisory board remuneration totaling TEUR 37.8 was granted. The Company has exercised its elective right under § 286 (4) HGB regarding disclosures about provisions for current pensions and pension expectancies [*Anwartschaften*] of the supervisory board members under § 285 (9) b.

In the fiscal year, the members of the advisory board [*Beirat*] were paid compensation totaling TEUR 547.4.

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

## 8. Supplementary report

No events of special importance (*besonderer Bedeutung*) have occurred following the balance sheet date (Negative Covenant)).

Frankfurt am Main, March 23, 2017

Citigroup Global Markets Deutschland AG

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

**Report from the Supervisory Board of Citigroup Global Markets Deutschland AG**

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

The Supervisory Board held four regular meetings during the reporting year. The Supervisory Board also held a special meeting that addressed principles regarding Executive Board remuneration as well as the status and progress of various internal and external audits. The subject matter of all the regular Supervisory Board meetings were the regular reports from the Executive Board on the current condition of the Company, including *inter alia* the basis of the risk report. The Supervisory Board also adopted resolutions pursuant to the circulated resolution approval procedure [*Umlaufverfahren*]. No personnel decisions needed to be made. The composition of the Executive Board remained unchanged during the reporting period.

Given its size, the Supervisory Board once again did not form any separate committees. The Audit Committee was dissolved during the reporting period and the topics addressed in that committee were integrated into the agenda for the Supervisory Board meetings.

The members of the Supervisory Board participated, under their initiative, in educational and training programs required for them to perform their tasks. At the same time, the Supervisory Board Chairman received guidance from outside experts on complex topics such as risk management and accounting and was provided with an outlook concerning the upcoming regulatory, accounting and legal issues for 2017. In this regard, it also held discussions with the European Central Bank and the German *Bundesbank*.

The annual financial statements and management report for fiscal year ending November 30, 2016, including the bookkeeping system, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and were found to comply with the applicable statutory provisions and the Company's articles of association. The annual financial statements and management report were issued an unqualified auditor's report (*uneingeschränkten Bestätigungsvermerk*). We agree with the audit report.

Based on the completed results from the audit of the annual financial statements and management report as undertaken by the Supervisory Board, there have been no objections raised. At its meeting on March 29, 2017, the Supervisory Board approved the annual financial statements as per November 30, 2016 and as submitted by the Executive Board and approved the management report.

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

Frankfurt am Main, March 29, 2019

The Supervisory Board

Hans W. Reich
Chairman

# Auditor’s Report

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

**Auditor’s Report**

We have audited the annual financial statements – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and the notes to the financial statements – as well as the bookkeeping system and the management report of the Citigroup Global Markets Deutschland AG, Frankfurt am Main, for the fiscal year from December 1, 2015 through November 30, 2016. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law is the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

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

Our audit did not lead to any reservations.

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

Frankfurt am Main, March 24, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Pfeiffer<br>Wirtschaftsprüfer | Dr. Niemeyer<br>Wirtschaftsprüfer |

ANNEX II: FINANCIAL INFORMATION FOR FISCAL YEAR 2015



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# Balance Sheet as of November 30, 2015
# Citigroup Global Markets Deutschland AG, Frankfurt am Main

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

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

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

| | | | | |
|---|---|---|---|---|
| **6. Accrued liabilities** | | | | |
| a) Pensions and similar obligations | | 14,892,126.00 | | 4,157 |
| b) Tax reserves | | -.-- | | - |
| c) Other accrued liabilities | | 43,605,425.11 | 58,497,551.11 | 37,998 |
| **7. Funds for general bank risks as defined in § 340e (4) HGB** | | | 25,743,512.35 | 19,623 |
| **8. Equity capital** | | | | |
| a) Subscribed capital | | | | |
| aa) registered share capital | 210,569,889.00 | | | 210,570 |
| ab) silent partner capital | -.-- | 210,569,889.00 | | 122,710 |
| b) Capital reserve | 318,967,162.22 | 318,967,162.22 | | 196,257 |
| c) Earnings reserves | | | | |
| ca) legal reserve | 33,027,197.15 | | | 33,027 |
| cb) reserves for treasury shares | -.-- | | | - |
| cc) reserves required by articles of association | -.-- | | | - |
| cd) other earnings reserves | 27,916,536.71 | 60,943,733.86 | | 27,917 |
| d) Unappropriated earnings/loss (balance sheet profit/loss) | | **-.--** | 590,480,785.08 | 590,481 |
| **Total liabilities and equity capital** | | | 11,205,821,482.26 | 8,694,483 |

| | EUR | EUR | 11/30/2014 TEUR |
|---|---|---|---|
| **1. Contingent liabilities** | | | |
| a) Contingent liabilities arising from transferred and cleared bills of exchange | -.-- | | - |
| b) Liabilities arising from guarantees and warranty contracts | 525,649,277.96 | | 475,564 |
| c) Liabilities arising from security furnished on behalf of third parties | -.-- | 525,649,277.96 | - |
| **2. Other obligations** | | | |
| a) Redemption obligations under repurchase agreements | -.-- | | - |
| b) Placement and underwriting obligations | -.-- | | - |
| c) Irrevocable lines of credit | 581,283,705.10 | 581,283,705.10 | 731,764 |

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

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

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

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

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

## Statement of Changes in Equity

The Bank's equity capital consists of the following:

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

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

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

**Notes to the Financial Statements for Fiscal Year 2015**

## 1. Bases of the Accounting

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

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

The subscribed capital of CGMD includes the registered share capital of EUR 210.6 million. The registered share capital is divided into 8,236,778 no-par value shares, which are held by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG (CKG), Frankfurt am Main.
The contract existing between CKG and CGMD and relating to the silent partnership was terminated effective November 30, 2015 pursuant to an agreement. In accordance with the agreement, the nominal amount of the silent capital contribution (totaling EUR 122.7 million), which was thereby released, was added to the CGMD capital reserve account effective November 30, 2015.

The annual financial statements for fiscal year 2015 were prepared in accordance with the German Banking Act (KWG), the German Stock Corporation Act (AktG), the German Commercial Code (HGB), and the regulations concerning financial institution accounting.

## 2. Accounting and Valuation Methods

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

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

As of November 30, 2015, the risk discount equaled TEUR 662 for the foreign currency risk trading book, TEUR 2,637 for the equities and index risk trading book, and TEUR 189 for the other trading book. The underlying value at risk (VaR) figure is based on a holding period of ten business days, a confidence level of 99% and an effective historical observation period of one year.

In addition, the Bank applied - as of the balance sheet date - a discount to the Other Price Risk Trading Book in the form of a “market value adjustment” totaling TEUR 1,015.1, which is calculated on the basis of a mathematical method and which factors in the model-linked price risks related to derivatives as well as the potential risks of loss upon repurchasing derivatives that the Bank itself had issued.

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

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

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

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

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

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

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

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

In connection with hedging the interest rate risk, the Bank recognized on its accounts numerous micro-hedges with a total of six ***Schuldscheindarlehen*** (loans that are documented with a certificate of indebtedness known as a "*Schuldschein*") and a face value totaling TEUR 50,000.0. To ensure a refinancing structure with matching maturities, the fixed annual interest rate payments under the certificates of indebtedness which amounted to TEUR 2,436.4 were swapped for variable interest payments based on the 3-month Euribor by relying on interest rate swap agreements having matching maturities and matching amounts. On the balance sheet date, the Bank elected not to write-up the underlying transactions (*Schuldscheindarlehen*) resulting from the lower interest rate because they had been for the most part covered by the increase in the fair values [*Markwerte*] of the hedges (interest rate swap agreements). The fair value of the *Schuldscheindarlehen* is TEUR 10,852.5 higher than the book value. The Bank applies the net hedge presentation method [*Einfrierungsmethode*] for the hedge established under § 254 HGB. It intends to preserve the hedge until the underlying transactions expire. The prospective and retrospective effectiveness testing is done using the critical term match method.

The **pension provisions** were valued on the basis of the projected unit credit method. Key principles underlying the valuation are the accrual-based allocation of pension benefits during the service relationship, for which commitments have been made and obligations taken on b y affiliated enterprises under debt assumption agreements [*Schuldbeitrittserklärung*], and the actuarial assumptions that are used to calculate the present cash value of such future benefits. The value of the obligation as of the balance sheet date is the actuarial present cash value of all those benefits which, based on the pension formula under the plan, are attributable to the period of service completed up to that point in time. For 2015, CGMD had calculated an amount of TEUR 1,015.3 as the period of service expense on the basis of the debt assumption agreement and then charged this amount to the impacted companies.

In order to calculate the present cash value, a projected discount rate of 3.94 % based on a 15-year term in accordance with the rules of the German Act to Modernize Accounting Law (BilMoG) was used as the basis. Future salary and wage increases were estimated at 2.25%, and at the same time, a 1.8% adjustment of the current annuities was assumed. The biometrical data was taken from the Heubeck 2005G mortality tables

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

In the current fiscal year, an expense arose from the accrual of interest on the pension obligations in the amount of TEUR 22,317.4 (prior year: TEUR 13,407.4), while the change in the fair value of the plan assets resulted in income of TEUR 6,293.1 (prior year: TEUR 10,198.7). These earnings components are netted and then reported under other operating expenses. The standard allocation [*Regelzuführung*] produces an expense in the amount of TEUR 5,070.6 (prior year: expense TEUR 689.1).

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

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

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

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

In the current fiscal year, the interest accrued on the liabilities produced an expense in the amount of TEUR 1,246.7 (prior year: 437.3), and the change in the fair value of the plan assets yielded income of TEUR 1,102.3 (prior year: TEUR 437.3). Current income in the amount of TEUR 144.6 (prior year: TEUR 0) was also generated. These components of the result are netted and reported under other operating income.

The costs in acquiring units of the **deferred compensation** fund totaled TEUR 9,341.6. On the balance sheet date, the fair value of the netted assets of the deferred compensation fund was TEUR 10,489.3 (prior year: TEUR 10,325.4). The settlement amount of the liabilities to be netted equaled TEUR 10,489.3 (prior year: TEUR 10,325.4).

In the current fiscal year, the discounting of the obligations produced an expense in the amount of TEUR 31.5 (prior year: interest expense of TEUR 3.7), and the change in the fair value of the plan assets yielded income of TEUR 31.5 (prior year: income TEUR 3.7). These components of the result are netted and reported under line item, other operating income.

In connection with hedging the obligations under the bonus conversion, the Bank purchased units of the **PRS** Fund at costs of acquisition equaling TEUR 38,316.7, and it netted assets and liabilities pursuant to § 246 (2) sentence 2 HGB.

In the current fiscal year, the accrual of interest on the pension obligations generated an expense totaling TEUR 4,667.8 (prior year: TEUR 3,406.4). The change in the fair value of the plan assets resulted in income of TEUR 16.9 (prior year: income TEUR 1,958.9). Current income in the amount of TEUR 91.2 (prior year: TEUR 1,100.8) was also accrued. These components of the result are netted and reported under other operating expenses. These components of the result are netted and reported under other operating expenses. The standard allocation produces an expense in the amount of TEUR 165.6 (prior year: expense TEUR 160.0).

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

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

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

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

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

On the balance sheet date, the settlement amount for the early retirement obligations equaled TEUR 4,527.2 (prior year: TEUR 6,121.5. The fair value of the pledged reinsurance policies in the amount of TEUR 3,731.6 (prior year: TEUR 2,657.0) was netted against the settlement amount of the early retirement obligations. The settlement amount exceeding the plan assets on the settlement date and totaling TEUR 795.6 (prior year: TEUR 3,464.5) was shown under the line item, "Other accrued liabilities". In the current fiscal year, an expense in the amount of TEUR 230.9 (prior year: TEUR 0.2) arises from the accrual of interest on the obligations, while income in the amount of TEUR 54.0 (prior year: TEUR 0.1) is yielded from a change in the fair value of the plan assets. These components of the result are netted and reported under other operating expenses.

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

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

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

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

Dividing the existing transactions into separate time bands according to currency is carried out on the basis of their contractually prescribed maturity dates. Net surplus (asset) positions in the respective time band are fictitiously closed out on the basis of the Bank's own refinancing costs. Where there are net liability positions, the fictitious lending transaction is discounted at a rate with no risk premium. Viewed as of November 30, 2015, the fictitious closeouts have little effect on the present cash value reported in the banking book. The applied risk costs recognized in the banking book were calculated using a scenario computation taken from risk management. The administrative costs were derived from the internal accounts.

The calculation as of November 30, 2015 did not produce a need for setting aside a provision to cover threatened losses from the valuation of interest-rate driven transactions.

The **total sum of the amounts, which are barred from payout distribution** within the meaning of § 268 (8) HGB (§285 no. 28 HGB) and which equals TEUR 80,153.7 (prior year: TEUR 72,709.8), is yielded entirely from the capitalization of the plan assets at fair value in the amount of TEUR 236,620.5 (prior year: 228,987.6). Freely available provisions exceed the total sum of the amounts which are barred from payout distribution.

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

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

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

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

## 3. Notes on the Balance Sheet

### a) Assets based on term to maturity

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

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

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

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

## b) Fixed asset movement schedule

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

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

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

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

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

### d) Assets and liabilities denominated in foreign currencies

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

## e) Other notes

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

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

The item shown as other assets in the amount of EUR 9.2 million (prior year: EUR 21.0 million) includes primarily tax receivables of EUR 6.0 million (prior year: EUR 9.4 million), claims under reinsurance policies of EUR 1.0 million (prior year: EUR 3.1 million) and receivables under intra-group compensation invoices totaling EUR 1.1 million (prior year: 1.1 million).

The liability item shown on the balance sheet, trading portfolio (line item 3a), is divided into derivative financial instruments in the amount of TEUR 6,498,994.3 (prior year: TEUR 4,481,753.3) and liabilities arising from issued and outstanding debt securities in the amount of TEUR 981,421.1 (prior year: TEUR 632,395.9).

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

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

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

The contingent liabilities relate to guarantees and warranty contracts. These agreements stem from guarantees made in the amount of EUR 525.6 (prior year: EUR 475.6 million). The Bank believes that the likelihood that claims will be made under the guarantees and warranty contracts, which are shown in the balance sheet, is small due to the current credit-standing of the beneficiaries. We have found no evidence that would compel us to reach a different conclusion.

Of the irrevocable credit lines granted in the amount of EUR 581.3 million (prior year: EUR 731.8 million), all of these lines (prior year: EUR 691.8 million) have a term to maturity of more than one year. The lines of credit have been granted exclusively to non-banks.

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

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

### f) Other contingent liabilities

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

Moreover, since 2009, the Bank has taken the opportunity of participating in the credit filing system [*Krediteinreichungsverfahren*] of the German Central Bank [*Bundesbank*], Frankfurt am Main, pursuant to which the credit commitment on file serves as security for the cash funds received. CGMD participated in the credit filing system in the fiscal year.

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

## 4. Notes on the Income Statement

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

Net interest income totaled EUR 0.4 million (prior year: EUR 4.7 million). The persistently low interest rates, the negative yield made on deposits with the ECB as well as the weak demand for loans all kept net interest income at a low level relative to the overall result. Of the interest income totaling TEUR 1,143.6, TEUR 5,163.3 is attributable to positive interest income and TEUR 4,019.7 is attributable to negative interest income. Of the interest expenses totaling TEUR 784.6, T EUR 2,910.9 is attributable to interest expenses and TEUR 2,126.3 is attributable to positive interest.

Commission income decreased by EUR 41.1 million to EUR 148.5 million (prior year: EUR 189.6 million). This is primarily attributable to the decline from EUR 145.0 million to EUR 85.5 million in the brokerage commissions earned by affiliated enterprises. The reason for the decline in the commission income can be attributed to a review of fiscal years 2005 – 2014, which was carried out in 2014 and related to the transfer prices charged within Citi. Based on this one-time effect, the Bank reported income in net terms of EUR 85.9 million in fiscal year 2014.

Commission expenses equaled EUR 2.5 million (prior year: EUR 3.0 million) and included mostly intra-group cost sharing for relationship management.

The net income of the trading portfolio resulted primarily from gains and losses of the currency risk trading book in the amount of TEUR 12,169.5 (prior year: EUR 10,523.3) and of the equities and index risk trading book in the amount of TEUR 49,929.5 (prior year: TEUR 53,435.80). The negative result reported in the other trading book equals TEUR 888.0 (prior year: TEUR 562.2) and consists mostly of results from warrants traded on commodities and precious metals and from exchange-traded futures transactions on commodities and precious metals. The negative result in the interest rate risk trading book is TEUR 4.6 (prior year: positive result TEUR 2.2) and includes results from interest rate swap agreements.

Under the item, net income from financial trading operations, an amount of EUR 6.1 million (prior year: EUR 6.3 million) was deducted pursuant to § 340e (4) HGB and then added to the fund for general bank risks in accordance with § 340g HGB.

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

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

The other administrative expenses total EUR 70.8 million (prior year: EUR 71.4 million) and consist primarily of processing costs of Citibank N.A., London, custody fees, rents and costs for the listing of derivative products.

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

.

In the fiscal year, the Bank booked taxes on income and earnings from earlier years in the amount of EUR 0.8 million (prior year: EUR 0.1 million). Of that amount, EUR 0.3 million relate to taxes on income and earnings from prior years (prior year: EUR 0.1 million).

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

Pursuant to a profit transfer or partial profit transfer agreement, the allocated profits were transferred to Citicorp Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, in the amount of EUR 20.8 million and to the silent partner in the amount of EUR 12.1 million. We refer to the explanations on page 1 regarding the termination of the silent partnership effective November 30, 2015.

## 5. Fee of the Annual Accounts Auditor

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

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

## 6. Notes on Derivative Transactions

### a) Types of derivative transactions

As of November 30, 2015, the Bank's derivative transactions included the following types of transactions:

#### aa) Trading transactions

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

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

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

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

## b) Maturities of derivatives

The total volume of derivative transactions can be classified according to maturities per November 30, 2015:

### ba) Foreign currency risk trading book

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

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

## bb) Equities and index trading book

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Equity warrants** | | | | | |
| Own issues | | | | | |
| Bought | 6,113 | 5,205 | - | 11,318 | 2,809.8 |
| Sold | 7,521 | 6,154 | - | 13,675 | ./. 2,939.4 |
| **Third party index warrant issuers** | | | | | |
| Bought | 13 | - | - | 13 | 0.5 |
| **OTC equity options** | | | | | |
| Bought | 9 | - | - | 9 | 0.4 |
| **OTC index options** | | | | | |
| Bought | 2 | - | - | 2 | 0 |
| Sold | 216 | - | - | 216 | ./. 2.1 |
| **Index warrants** | | | | | |
| Own issues | | | | | |
| Bought | 28,102 | 12,135 | - | 40,237 | 3,379.3 |
| Sold | 29,107 | 12,316 | - | 41,423 | ./. 3,413.7 |
| **Exchange-traded index futures** | | | | | |
| Bought | 254 | - | - | 254 | 4.7 |
| Sold | 114 | - | - | 114 | 0 |
| **Exchange-traded index options** | | | | | |
| Bought | 772 | 44 | - | 816 | 15.3 |
| Sold | 129 | 12 | - | 141 | ./. 3.9 |

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Exchange-traded stock options** | | | | | |
| Bought | 836 | 429 | - | 1,256 | 69.6 |
| Sold | 61 | 3 | - | 64 | ./. 3.5 |
| **Index and equity certificates** | | | | | |
| Own issues | | | | | |
| Bought | 94 | 371 | - | 465 | 685.5 |
| Sold | 351 | 364 | - | 715 | ./. 981.4 |

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

### bc) Interest rate risk trading book

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Interest rate swap agreements** | | | | | |
| Bought | 5 | - | - | 5 | 0.1 |
| Sold | 5- | - | - | 5 | ./.0.1 |

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

## bd) Other trading operations

| | < 1 year Nominal amount | 1-5 years Nominal amount | > 5 years Nominal amount | Total Nominal amount | Market value |
|---|---|---|---|---|---|
| | EUR in millions | EUR in millions | EUR in millions | EUR in millions | EUR in millions |
| **Warrants on commodities and precious metals** | | | | | |
| Own issue | | | | | |
| Bought | 46 | 131 | - | 177 | 45.4 |
| Sold | 54 | 136 | - | 190 | ./.46.0 |
| **Exchange-traded precious metal futures** | | | | | |
| Bought | 5 | - | - | 5 | ./.0.1 |
| Sold | 1 | - | - | 1 | - |

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

### c) Counterparty credit risk in derivatives trading

As of November 30, 20 15, the credit equivalents under the CCR (Counterparty Credit Risk) before credit risk weighting and after regulatory netting are as follows:

| Credit risk | Companies and individuals and public bodies, including central banks from Zone B | Credit institutions from Zone A | Credit institutions from Zone B |
|---|---|---|---|
| Product group | Credit equivalent in EUR '000 | | |
| Foreign currency risk and other price risks trading book | 6,855 | 243,024 | - |
| Other trading transactions | - | 11,562 | - |
| Total | 6,855 | 254,586 | - |

### d) Non-settled forward transactions

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

## 7. Miscellaneous notes

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

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

The CGMD Executive Board consist of the following members

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

The Supervisory Board consists of the following members:

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

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

| | | |
|---|---|---|
| 120 | Employees | up to 5 years |
| 47 | Employees | 6-10 years |
| 60 | Employees | 11-20 years |
| 41 | Employees | 21 years or more |
| 268 | | |

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

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

In fiscal year 2015, supervisory board remuneration totaling TEUR 37.8 was granted. The Company has exercised its elective right under § 286 (4) HGB regarding disclosures about provisions for current pensions and pension expectancies [*Anwartschaften*] of the supervisory board members under § 285 (9)b.

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

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

Frankfurt am Main, February 19, 2016

Citigroup Global Markets Deutschland AG

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

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

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

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

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

**Report from the Supervisory Board of Citigroup Global Markets Deutschland AG**

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

In March of 2015, the Company's Annual General Meeting appointed Messrs. Reich and Gans to serve on the Supervisory Board for another term of office. This appointment preserves member continuity on the Supervisory Board. The Supervisory Board held four regular meetings during the reporting year. The Supervisory Board also held two special meetings that addressed the sale of certain business activities and the liquidation of investment holdings as well as the status and progress of the transfer pricing project and various internal and external audits. The subject matter of all the regular Supervisory Board meetings were the regular reports from the Executive Board on the current condition of the Company. The Supervisory Board also adopted resolutions pursuant to the circulated resolution approval procedure [*Umlaufverfahren*]. The Supervisory Board had to accept the resignation of Executive Board members Heinz Srocke and Samuel Riley effective September 30, 2015, and in advance thereof, helped provide for continuity in Company leadership by appointing Dr. Silvia Carpitella (effective June 1, 2015) and Messrs. Andreas Hamm and Thomas Falk (effective August 1, 2015) to serve as members of the Company's Executive Board.

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

The members of the Supervisory Board participated, under their initiative, in educational and training programs required for them to perform their tasks. At the same time, the Supervisory Board Chairman received guidance from outside experts on complex topics such as risk management and accounting and was provided with an outlook concerning the upcoming regulatory, accounting and legal issues for 2016.

The annual financial statements and management report for fiscal year ending November 30, 2015, including the bookkeeping system, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, and were found to comply with the applicable statutory provisions and the Company's articles of association. The annual financial statements and management report were issued an unqualified auditor's report (*uneingeschränkten Bestätigungsvermerk*). We agree with the audit report.

Based on the completed results from the audit of the annual financial statements and management report as undertaken by the Supervisory Board, there have been no objections raised. At its meeting on March 23, 2016, the Supervisory Board approved the annual financial statements as per November 30, 2015 and as submitted by the Executive Board and approved the management report.

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

Frankfurt am Main, March 23, 2016

The Supervisory Board

Hans W. Reich
Chairman

# 1 Auditor’s Report

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

”

**Auditor’s Report**

We have audited the annual financial statements – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, and the notes to the financial statements – as well as the bookkeeping system and the management report of the Citigroup Global Markets Deutschland AG, Frankfurt am Main, for the fiscal year from December 1, 2014 through November 30, 2015. The bookkeeping and the preparation of the annual financial statements and management report in accordance with German commercial law is the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion on the annual financial statements (including the bookkeeping system) and the management report on the basis of our audit.

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

Our audit did not lead to any reservations.

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

"

Frankfurt am Main, March 4, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Pfeiffer | Shiffa |
| Wirtschaftsprüfer | Wirtschaftsprüferin |

**SIGNATURES**

Frankfurt am Main, 30 March 2017

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

| | |
|---|---|
| signed by Dirk Heß<br>Director | signed by Steffen Thomas<br>Vice President |