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Hong Kong Exchanges and Clearing Limited (“HKEX”), The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Non-collateralised Structured Products

Base Listing Document relating to Structured Products to be issued by



Citigroup Global Markets Europe AG

*(a stock corporation (Aktiengesellschaft) founded
in Germany under German law)*

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to us and our standard warrants (“**Warrants**”), callable bull/bear contracts (“**CBBCs**”) and other structured products (together, the “**Structured Products**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products are complex products. Investors should exercise caution in relation to them. The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any). The Issuer is subject to the exercise of the bail-in powers under the German legislation for implementation of the Bank Recovery and Resolution Directive.

Sponsor

Citigroup Global Markets Asia Limited

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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

You must read this document (including any addendum to this document to be issued from time to time) together with the relevant launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued from time to time) (together, “**Listing Documents**”) before investing in the Structured Products. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralised with any of our assets or other collateral. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Are we regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are not regulated by any of the bodies referred to in Rule 15A.13(2) or (3). We are regulated by *Bundesanstalt für Finanzdienstleistungsaufsicht* (“**BaFin**”).

Are we rated by any credit rating agencies?

Our credit ratings as of the day immediately preceding the date of this document are:

Rating Agency	Rating (outlook)	Date of Award
Moody's Investors Service, Inc. (“ Moody's ”)	A1 (Stable)	21 February 2019
S&P Global Ratings (“ S&P ”)	A+ (Stable)	24 August 2018

The credit ratings are only an assessment by the rating agencies of our overall financial capacity to pay its debts.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody's. A+ is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade ratings (including + or – sub-grades) assigned by S&P. Please refer to the brief guide in Appendix 4 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from companies that they rate.

When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the day immediately preceding the date of this document are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Structured Products;
- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if our credit quality declines.

The Structured Products are not rated.

Our credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our ratings from time to time.

Are we subject to any litigation?

Save as disclosed in this document, we and our subsidiaries have no litigation or claims of material importance pending or threatened against us or them.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by resolutions of our management board on 27 March 2019.

Has our financial position changed since last financial year-end?

Save as disclosed in Appendices 5 and 6 to this document, there has been no material adverse change in our financial or trading position since 31 December 2019.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the purchase price of each Structured Product. See the section headed “**Taxation**” for further information.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the office of the Sponsor, which is presently at 50th Floor, Champion Tower, Three Garden Road, Central, Hong Kong:

- (a) our audited financial statements for the fiscal year ended 31 December 2019;

- (b) our base listing document dated 19 December 2019 for the following documents:

- our audited financial statements for the short fiscal year from 1 January 2018 to 27 April 2018; and
- our audited financial statements for the short fiscal year from 28 April 2018 to 31 December 2018;

- (c) our latest unaudited interim financial statements;

- (d) the consent letter of our auditor (“**Auditor**”);

- (e) this document and any addendum to this document;

- (f) the launch announcement and supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange; and

- (g) the instrument executed by us by way of deed poll dated 11 December 2019 (“**Instrument**”) as defined in General Condition 1 (see Appendix 1).

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the cost of making such copies.

The Listing Documents are also available on:

- (a) in respect of warrants, the website of the Stock Exchange at <http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp> ; and
- (b) in respect of CBBCs, the website of the Stock Exchange at <http://www.hkex.com.hk/eng/cbbc/search/listsearch.asp> .

各上市文件亦可於下列網站瀏覽：

- (a) 就權證而言，聯交所的網站 http://www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp ; 及
- (b) 就牛熊證而言，聯交所的網站 http://www.hkex.com.hk/chi/cbbc/search/listsearch_c.asp 。

Has the Auditor consented to the inclusion of its report to the Listing Documents?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its report dated 23 April 2020 in this document and/or the references to its name in the Listing Documents, in the form and context in which they are included. Its reports were not prepared for incorporation into this document.

The Auditor does not hold our shares or shares in our subsidiaries, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Authorised representatives

Guillaume Besson and Lorraine Ng, both of 48 Floor, Champion Tower, 3 Garden Road, Central, Hong Kong, are our authorised representatives.

Service of process agent

We have authorised Citigroup Global Markets Asia Limited, which is presently at 50th Floor, Champion Tower, Three Garden Road, Central, Hong Kong, to accept on our behalf service of process and any other notices required to be served on us in Hong Kong.

How can you get further information about us?

You may visit www.citifirst.com.hk to obtain further information about us and our Structured Products.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution in relation to the offer of the Structured Products.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendix 2 and Appendix 3 (together, the “**Conditions**”).

OVERVIEW OF WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a share, a unit, an index or other asset (“**Underlying Assets**”, each an “**Underlying Asset**”) is an instrument which gives the holder an investment exposure to the Underlying Asset by reference to a pre-set price or level called the Exercise Price or Strike Level on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European style warrants. This means they will be automatically exercised on the Expiry Date, entitling the holder to a potential cash amount called the “**Cash Settlement Amount**” (if positive) according to the Conditions in the Listing Documents.

You will receive the Cash Settlement Amount (if any) less any Exercise Expenses upon expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry and you will lose all of your investment in the Structured Products.

How do our Warrants work?

The potential payoff upon expiry of the Warrants is calculated by us by reference to the difference between:

- (a) for Warrants linked to a share or unit, the Exercise Price and the Average Price; and
- (b) for Warrants over index, the Strike Level and the Closing Level.

Call Warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price or Closing Level is greater than the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level exceeds the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price or Closing Level is at or below the Exercise Price or Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be). The more the Average Price or Closing Level is below the Exercise Price or Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price or Strike Level is at or below the Average Price or Closing Level (as the case may be), an investor in the put Warrant will lose all of his investment.

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price/exchange rate/level of the Underlying Asset. However, throughout the term of a warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price or Strike Level of the warrants;
- (b) the value and volatility of the price/exchange rate/the level of the Underlying Asset (being a measure of the fluctuation in the price/exchange rate/level of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the warrant, the greater its value;
- (d) interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

- (e) the liquidity of the Underlying Asset or the futures contracts relating to the underlying index;
- (f) the supply and demand for the warrant;
- (g) our related transaction cost; and
- (h) our creditworthiness.

What is your maximum loss?

Your maximum loss in Warrants will be limited to your entire investment amount plus any transaction cost.

How can you get information about the warrants after issue?

You may visit the Stock Exchange website at http://www.hkex.com.hk/products/securities/derivative-warrants?sc_lang=en to obtain further information on our Warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

OVERVIEW OF CBBCs

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares listed on the Stock Exchange;
- (b) unit trusts listed on the Stock Exchange;
- (c) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or
- (d) overseas securities, indices, currencies, commodities (such as oil, gold and platinum) or commodity futures.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at https://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts/CBBC-Eligible-Underlying-Assets/?sc_lang=en.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “**What is the mandatory call feature of CBBCs?**” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See “**Category R CBBCs vs Category N CBBCs**” below for further information.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level. See “**Category R CBBCs vs Category N CBBCs**” below.

What is the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period.

The Observation Period starts from and includes the Observation Commencement Date of the relevant CBBCs and ends on and includes the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and

(b) where the Mandatory Call Event occurs during a pre-opening session or closing difference between the Strike Price/Strike auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities listed on the Stock Exchange or CBBCs over single unit trusts, the Stock Exchange's automatic order matching and execution system time at which the Spot Price is at or below the Call Price (in the case of a bull CBBC) or is at or above the Call Price (in the case of a bear CBBC); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (in the case of a bull CBBC) or is at or above the Call Level (in the case of a bear CBBC),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The launch announcement and supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“**Category R CBBCs**” refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/Minimum Index Level of the Underlying Asset and the Strike Price/Strike Level; and

(b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

“**Category N CBBCs**” refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

You must read the applicable Conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

How is the funding cost calculated?

The issue price of a series of CBBCs represents the difference between the initial reference spot price/spot level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant launch announcement and supplemental listing document and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Parts A, B and C of Appendix 3 (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a series of CBBCs?

The price of a series of CBBCs tend to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of the Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;

(e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(f) the supply and demand for the CBBCs;

(g) the probable range of the Cash Settlement Amounts;

(h) the liquidity of the Underlying Asset or futures contracts relating to the underlying index;

(i) our related transaction cost; and

(j) our creditworthiness.

What is your maximum loss in CBBCs?

Your maximum loss in CBBCs will be limited to your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit the Stock Exchange website at http://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts?sc_lang=en to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

INFORMATION ABOUT US

1. BUSINESS HISTORY AND DEVELOPMENT OF THE ISSUER

1.1 Business history of the Issuer

The Issuer is Citigroup Global Markets Europe 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 began on 1 December of each year and ended on 30 November of the following year. The reporting year 2009 therefore was a short fiscal year which began on 1 January 2009 and ended on 30 November 2009.

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

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

Exit of the silent partner as of 30 November 2015

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

Change of fiscal year as of 1 January 2017

On 29 August 2016, and pursuant to a shareholder resolution Citigroup Global Markets Deutschland AG & Co. KGaA elected to change its fiscal. The fiscal year had previously begun on 1 December of a given year and ended on 30 November of the following year. Effective 1 January 2017, the fiscal year will begin on 1 January of a given year and end on 31 December of the same year. A short financial year has been established for the period of 1 December through 31 December 2016.

Restructuring of business activities in April 2018

On 27 April 2018 the banking business of the Issuer (in particular the Treasury & Trade Solutions (TTS), Corporate Lending, Treasury Activities & Own Issuances and Issuer Services business units, hereinafter collectively referred to as "**Banking Business**"), which has so far been operated by the Issuer, was transferred to Citibank Europe plc. The Banking Business was transferred to a German limited partnership by way of a hive-down and new formation pursuant to § 123 (3) no. 2 of the German Corporate Transformation Act (Umwandlungsgesetz; "**UmwG**"), followed by an accretion at Citibank Europe plc. Following the completion of the transfer, the ownership structure of the Issuer has been changed within the Group.

Hive-down of the Banking Business

As transferring entity, the Issuer transferred all assets, rights and liabilities predominantly allocable to the Banking Business to a newly established German limited partnership (“**Hive-Down Vehicle**”) as acquiring entity by way of partial universal succession, in return for a limited partnership interest in the Hive-Down Vehicle involving a limited partnership contribution (contribution under the partnership agreement (Pflichteinlage) and liable contribution (Haftsumme)) of 1,000 euros. The general partner (Komplementär; personally liable partner) of the Hive-Down Vehicle was Citibank Europe plc. The assets, rights and liabilities of the Issuer which were not allocable to the Banking Business – in particular the Issuer’s own issuances business – were not transferred to the Hive-Down Vehicle and are therefore not affected by this measure.

The hive-down effective date was 1 January 2018, 00.00 hrs. From this point in time onwards, the Issuer’s actions and transactions with respect to the Banking Business have, in the internal relationship between the parties, been deemed to have been made for the account of the Hive-Down Vehicle.

The hive-down plan was notarised on 13 April 2018 and the hive-down took effect upon its registration in the Issuer’s commercial register on 27 April 2018 (“**Closing Date**”). At that point in time, the assets belonging to the Banking Business (including any related liabilities) were transferred to the Hive-Down Vehicle by way of partial universal succession.

Accretion of the Banking Business at Citibank Europe plc

Upon registration of the hive-down on the Closing Date, the Issuer sold and transferred its limited partnership interest in the Hive-Down Vehicle to the only other partner of the Hive-Down Vehicle, Citibank Europe plc. Thus, all partnership assets of the Hive-Down Vehicle (in particular the Banking Business) were transferred, automatically and by virtue of law, to Citibank Europe plc by way of universal succession (“**Accretion**”).

Change in the ownership of the Issuer

Upon registration of the hive-down in the Issuer’s commercial register and the accretion on the Closing Date, the Issuer’s previous parent company, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, sold and transferred the shares in the Issuer held by it to Citigroup Global Markets Limited with registered office in London, United Kingdom. Thus, Citigroup Global Markets Limited has become the new parent company of the Issuer. With effect from 24.00 hrs on the Closing Date, the existing control and profit (loss) transfer agreement between the Issuer and its current parent company was terminated.

Change of fiscal year as of 28 April 2018

On 31 January 2018, and pursuant to a shareholder resolution Citigroup Global Markets Deutschland AG elected to change its fiscal again. Effective 28 April 2018, the fiscal year will begin on 28 April of a given year and end on 27 April of the following year. A short financial year has been established for the period of 1 January 2018 through 27 April 2018.

Change in the name of the Issuer as of 15 June 2018 and change of fiscal year

The General Meeting of the Issuer resolved on 30 May 2018 to henceforth operate under the name Citigroup Global Markets Europe AG. The change in the name became effective on 15 June 2018 when it was registered in the commercial register.

In addition, Citigroup Global Markets Deutschland AG has changed its fiscal year pursuant to the resolution of the General Meeting on 30 May 2018. Recently, the fiscal year began on 28 April of a year and ended on 27 April of the following year. Effective 1 January 2019, the fiscal year will begin on 1 January of a given year and end on 31 December of the following year. A short financial year has been established for the period of 28 April 2018 through 31 December 2018.

1.2 Development of the Issuer

On 27 April 2018 the banking business of the Issuer (in particular the Treasury & Trade Solutions (TTS), Corporate Lending, Treasury Activities & Own Issuances and Issuer Services business units), which has so far been operated by the Issuer, was transferred to Citibank Europe plc. The Issuer's warrants and certificates business was not affected by these measures. The Issuer's remaining activities will continue to be conducted in the form of a securities trading bank.

On 27 April 2018 the Issuer's previous parent company, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, sold and transferred the shares in the Issuer held by it to Citigroup Global Markets Limited with registered office in London, United Kingdom. Thus, Citigroup Global Markets Limited has become the new parent company of the Issuer.

2. BUSINESS OVERVIEW OF THE ISSUER

2.1 Principal Activities

2.1.1 Overview

The Issuer is a securities trading bank, offering companies, governments and institutional investors comprehensive financial strategies in investment banking, fixed income, foreign exchange and equities and derivatives. 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.

2.1.2 Equity, Warrants and Certificates, Equity & Derivative Sales

(a) Warrants and Certificates

The Issuer issues warrants, knock-out warrants (turbo warrants), Factor/Leverage & Short Certificates and other 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 related to the aforementioned underlyings.

(b) Equity Sales and Sales-Trading

The Equity Sales Department is divided into the Global Equity Sales Desk (for advising and consulting institutional investors on the purchase and sale of global equities); the Program Trading Desk (for marketing portfolio products); and the Global Sales Trading Desk (to serve as an

interface when advising on customer order placements, order taking and order forwarding to the other Citigroup Trading Desks). The 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.

2.1.3 Fixed Income Sales

(a) 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.

(b) 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.

2.1.4 Banking, Capital Markets & Advisory (BCMA)

BCMA comprises Corporate and Investment Banking (CIB) and Capital Markets Origination (CMO).

(a) Corporate and Investment Banking (CIB)

The CIB division is responsible for cross-product advisory activities for customers through coordinating activities for all products and services that these customers use at Citigroup worldwide. The advice on mergers and acquisitions (M&A) and corporate financing for syndicated and bilateral loans are also assigned to the CIB line of business.

On the basis of long-term established and sustainable customer relationships, the CIB line of business is in a position to offer its customers a full range of products and thus realize competitive advantages through closely interlinked cooperation with the Markets & Securities Services business units and other group units of Citigroup.

The CIB business area's task is to expand its market position as one of the first points of contact for strategic corporate finance topics, such as acquisitions and capital market financing, as well as for the operational processing of cash flows. Unlike many other market players, CIB offers a wide range of advisory and financial services for institutional clients, benefiting from Citigroup's global presence.

The episodic business comprises M&A consulting as well as equity (including initial public offerings) and debt instruments. Equity instruments (Equity Capital Markets) and debt instruments (Debt Capital Markets) are allocated to the business area Capital Markets Origination within BCMA.

(b) Capital Markets Origination (CMO)

Equity Capital Markets comprises the entire range of products for raising equity capital through listed companies. This includes the placement and settlement of IPOs and capital increases. In addition, Equity Capital Markets supports clients in the placement shares or block trades.

Debt Capital Markets supports Group companies in the acquisition and structuring of new issues of interest bearing securities and related transactions for customers of the private (companies and financial institutions) and public (federal government and federal states) sectors in Germany and Austria and supports customers in the issue and placement of such securities (Debt Capital Markets).

The individual transactions can be concluded in any currency, depending on the customer's requirements or market conditions. Transactions can be structured as securities, loans or promissory notes and can be marketed either by a consortium or alone.

2.1.5 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.

2.1.6 Fixed Income Research: Covered Bond and Sub-Sovereign, Supras and Agency ("SSA") Research

As part of the Interest Strategy Team located in London, the local 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. In addition, interest rate futures are also analyzed.

2.1.7 Treasury

Corporate Treasury's main responsibilities are to manage the liquidity risk of the Issuer and ensure that it is adequately funded and capitalized. Corporate Treasury achieves this by managing the Issuer to a set of liquidity and capital metrics. Corporate Treasury work closely with Businesses, Risk, Finance and Operations to assess funding, liquidity and capital risks and requirements. The Asset and Liability Committee is the key forum where these topics are pulled together and discussed at a senior level.

2.1.8 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 is remunerated using a global settlement model (Global Revenue Allocation, "GRA"), which primarily provides for a revenue split. This applies to all major business areas. The Issuer enjoys a close working relationship in all areas, primarily 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.

2.1.9 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 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.

2.2 Principal markets

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

3. 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 Citigroup Global Markets Limited with registered offices in London which in turn is an indirect wholly owned subsidiary of Citigroup Inc. (USA).

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and with our unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

Credit risk

If you purchase our Structured Products, you are relying upon our creditworthiness and have no rights under these products against:

- (a) any company which issues the underlying shares;
- (b) the trustee or the manager of the underlying trust; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of our ratings could result in a reduction in the value of the Structured Products.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the General Conditions and the relevant Product Conditions of each series of Structured Product upon expiry. We do not

intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

We and Citigroup Inc. together with its subsidiaries (the “**Group**” or “**Citigroup Group**”) engages in financial activities for our own account or the account of others. The Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which a Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and exercise of creditor rights. The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price or level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;

- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products; and
- (e) may also act as underwriter in connection with future offerings of shares, units or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other security or the trustee or the manager of the unit trust. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

Not the ultimate holding company of the Group

We are not the ultimate holding company of the Group to which we belong.

Issuer risk due to the hive-down of the Banking Business

On 27 April 2018 (“**Closing Date**”) the banking business of the Issuer (in particular the Treasury & Trade Solutions (TTS), Corporate Lending, Treasury Activities & Own Issuances and Issuer Services business units, hereinafter collectively referred to as “**Banking Business**”), which has so far been operated by the Issuer, was transferred to Citibank Europe plc. The Issuer’s warrants and certificates business was not affected by these measures. The Banking Business was transferred by way of a hivedown and new formation (Ausgliederung zur Neugründung) pursuant to § 123 (3) no. 2 of the German Corporate Transformation Act (Umwandlungsgesetz; “**UmwG**”) to a newly established German limited partnership (Kommanditgesellschaft) (“**Hive-Down Vehicle**”) whose limited partner (Kommanditist) was the Issuer and whose general partner (Komplementär; personally liable partner) was Citibank Europe plc. When the hive-down took effect by means of its registration in the Issuer’s commercial register, the Issuer sold and transferred its limited partnership interest in the Hive-Down Vehicle to the general partner. Therefore, all partnership assets (including any related liabilities) of the Hive-Down Vehicle (in particular the assets of the former Banking Business) were transferred, automatically and by virtue of law, to Citibank Europe plc by way of universal succession (“**Accretion**”).

The protection of the Issuer’s creditors with respect to the liabilities transferred as part of the hive-down and the liabilities remaining with the Issuer is governed by § 125 UmwG in conjunction with §§ 22, 133 UmwG. Pursuant to these provisions, the Issuer and the Hive-Down Vehicle are, in relation to third parties, jointly and severally liable to the creditors for any liabilities of the Issuer which have been created prior to the Closing Date (“**Legacy Liabilities**”). The Issuer is, in principle, jointly and severally liable for a period of five years. The period applicable to pension liabilities under the German Company Pensions Act (Betriebsrentengesetz) is ten years. As between themselves, the Issuer and the Hive-Down Vehicle will have compensation claims against each other if they are held liable. In deviation from the relevant statutory provision, the Issuer and the Hive-Down Vehicle agreed that (i) the Hive-Down Vehicle will be liable for Legacy Liabilities relating to the Banking Business and (ii) the Issuer will only be liable for Legacy Liabilities relating to any of the business units remaining with the Issuer. Accordingly, they will have mutual contractual claims for indemnification.

As of the date of the Accretion, any contractual claims for indemnification are claims against Citibank Europe plc, which assumes the legal position of the Hive-Down Vehicle.

If the Issuer is held liable by a creditor, the Issuer will therefore be exposed to the risk that Citibank Europe plc does not or cannot meet its indemnification obligation due to lack of liquidity, operational failures, insolvency or other reasons. In this case, the Issuer will independently be economically liable to creditors for the corresponding Legacy Liabilities with the assets remaining with the Issuer.

In addition, even after its withdrawal as limited partner of the Hive-Down Vehicle, the Issuer continues, for a period of five years, to be liable for any liabilities of the Hive-Down Vehicle which have been created prior to the date of its withdrawal. In this case, however, the Issuer’s liability is limited to the amount of the liable contribution (Haftsumme) registered in the commercial register (1,000 euros).

If the Issuer is held liable for Legacy Liabilities and if Citibank Europe plc does not fulfil its indemnification obligation due to lack of liquidity, operational failures, insolvency or other reasons,

or if it cannot meet them, it may materially adversely affect the financial condition of the Issuer.

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 Regulation – “**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 or of investment firms, including the Issuer.

The SAG empowers the competent national resolution authority to apply resolution measures. BaFin has been the national resolution authority in Germany since 1 January 2018. It has taken over this task from the previously responsible Financial Market Stabilisation Authority (Bundesanstalt für Finanzmarktstabilisierung – “**FMSA**”).

Subject to certain conditions and exceptions, the BaFin is empowered to permanently write down liabilities of the institutions, including those from Structured Products issued by the Issuer (“**Bail-in**”), or to convert them into equity instruments. Furthermore, the debtor of the Structured Products (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 BaFin with regard to the SAG. Any such regulatory measure can significantly affect the market value of the Structured Products as well as their volatility and might significantly increase the risk characteristics of the investor’s investment decision. Investors in Structured

Products may lose all or part of their invested capital in a pre-insolvency scenario (risk of total loss).

Brokering of transactions for other Group companies and allocation of work within Citigroup Group

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 is remunerated using a global settlement model (Global Revenue Allocation, “**GRA**”), which primarily provides for a revenue split. This applies to all major business areas. The Issuer enjoys a close working relationship in all areas, primarily 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 reallocated among other Group companies, then the Issuer could lose a significant source of income.

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. If the Issuer has to make any subsequent contributions, this may adversely affect the financial position of the Issuer.

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 comply with their contractual obligations within the prescribed time or at all, then this could also impair the Issuer’s ability to timely 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.

- Reputational risk

There is a reputation risk that results from damage to customer relationships as a result of inadequate services or incorrect execution of business transactions. There is also the risk of entering into business relationships with counterparties whose business practices do not comply with the standards or business ethics of the Issuer.

The risks described above can have a negative impact on the customer relationship or the relationship with the local supervisory authorities.

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.

Additional tax claims can have a significant negative impact on the financial position of the Issuer.

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.

The realization of legal risks or an increase in regulatory requirements may significantly increase the Issuer's operating expenses and may have negative impacts on the financial position of the Issuer.

General risks in relation to Structured Products

You may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest, time value, market and/or political risks. Structured Products may expire worthless.

Options, warrants and equity linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset's price or level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

“**European Style**” Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product upon expiration means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price or level of the Underlying Asset specified in the relevant launch announcement and supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price or level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to the movement in price or level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets increases, the value of the Structured Product decreases.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant launch announcement and supplemental listing document, you should recognise the complexities of utilizing Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price or level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider’s control where the appointed liquidity provider’s ability to make a market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Value of the Structured Products in the secondary market may be sensitive to movements in interest rates. A variety of factors influence interest rates such as macroeconomic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a “**time value**” of the Structured Products. The “**time value**” of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future prices or levels of the Underlying Assets. The value of a

Structured Product is likely to decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Taxes

You may be required to pay stamp duties or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed “**Taxation**” for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products or the Instrument which, in our opinion is:

- (a) not materially prejudicial to the interests of the holder of the Structured Products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable:

- (a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation or (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with

competent jurisdiction of any relevant law or regulation, (each of (i) and (ii), a “**Change in Law Event**”); or

- (b) for us or our affiliates to maintain our hedging arrangements with respect to the Structured Product due to a Change in Law Event,

we may terminate early such Structured Products. If we terminate early the Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in commercially reasonable manner to be the fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to any:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or

- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risk with regards to the Underlying Asset to which the particular series of Structured Products relate. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macroeconomic factors, speculation and, where the Underlying Asset is an index, changes in the formula for or the method of calculating the index.

You must be experienced with dealings in these types of Structured Products and must understand the risks associated with dealings in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole and absolute discretion, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level or any other terms (including without limitation the closing price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Product and the return upon the expiry of the Structured Product may be affected.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions, then the value of such

share(s) may not be included in the level of the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

Prior to the Expiry Date, if trading or dealing in the Underlying Assets is suspended on the Stock Exchange, trading or dealing in the relevant series of Structured Product will be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Structured Products, there may be a time lag between the date on which the Structured Products expire and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

The applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Product Conditions.

Risks relating to Structured Products over trusts

General risks

In the case of Structured Products which relate to units of a trust:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interests of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant trust. The manager of the relevant trust is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of the manager's actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund (“ETF”), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a

result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

Risk specific to ETF investing through RQFII and/or China Connect

Where the Underlying Asset comprises units of an EFT issued and traded outside Mainland China with direct investment in the Mainland China's securities markets through the Renminbi Qualified Foreign Institutional Investor ("RQFII") regime and the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect (collectively, "China Connect"). You should note that, amongst others:

- (a) the novelty and untested nature of such ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;
- (b) such ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China's securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of such ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) investment by such ETF in the mainland Chinese securities market under the RQFII regime is currently subject to its manager's RQFII quota allocated to such ETF. In addition, trading of securities invested by the ETF under China Connect will be subject to a daily quota which does not belong to such ETF and is utilised on a first-come-first-serve basis. In the event that the RQFII quota allocated to such ETF and/or the daily quota under China Connect are reached, the manager may need to suspend creation of further units of such ETF, and therefore may affect the liquidity in unit trading of such ETF. In such event, the

trading price of a unit of such ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. Although the State Administration of Foreign Exchange has announced that the quota restrictions under the RQFII (and Qualified Foreign Institutional Investor) regimes will be removed, the detailed implementation rules and official effective date of the quota removal are not yet available; and

- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to ETF investing in the Mainland China through RQFII and/or China Connect. Although such ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such ETF and may therefore adversely affect the net asset value of such ETF and the market value and/or potential payout of the Structured Products.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Please read the offering documents of the relevant ETF to understand its key features and risks.

ETF traded through dual counters model

Where the Underlying Asset comprises the units of an ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi ("RMB") and Hong Kong dollars ("HKD") separately, the novelty and relatively untested nature of the Stock Exchange's dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;

- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Risk relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

Real estate investment trust (“REIT”)

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any

Mandatory Call Event is irrevocable except in limited circumstances

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant index compiler), and such event is reported by us to the Stock Exchange and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant launch announcement and supplemental listing document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (“**Trading Suspension**”) or the non-recognition of trades after a Mandatory Call Event (“**Non-Recognition of Post MCE Trades**”), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Residual Value will not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a Category R CBBC following the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be delay in the announcements of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we and/or our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of us or our affiliates related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time.

Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Product issued in global registered form held on your behalf within a clearing system effectively means evidence of your title and efficiency of ultimate delivery of the Cash Settlement Amount will be subject to the CCASS Rules. Amongst the risks, you should note that:

- (a) you will not receive any definitive certificates where the Structured Product is to remain in the name of HKSCC Nominees Limited for its entire life;
- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your broker/custodians and the statements you receive from such party as evidence of your interests in the investment;
- (d) notices or announcements will be published on the HKEX website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEX website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) following the Expiry Date and the determination by us of the Cash Settlement Amount (if any), our obligations to you will be duly fulfilled by payment of the Cash

Settlement Amount (if any) to HKSCC Nominees Limited as the “**holder**” of the Structured Products in accordance with the Conditions. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

United States tax risks

There is a risk of the deduction of U.S. withholding tax and the transmission of information to the U.S. tax authorities. There is also a risk that U.S. withholding tax may apply in respect of U.S. “**dividend equivalent**” payments and, if this withholding tax applies, the investor will receive less than the amount the investor would have received without the application of the withholding tax. Please refer to the section headed “**United States taxation**” for further details.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurances can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

OVERVIEW OF THE BRRD AND ITS IMPLICATION TO THE STRUCTURED PRODUCTS

What is the BRRD?

The Bank Recovery and Resolution Directive (2014/59/EU) (“**BRRD**”) is a legislative development in the European Union (“**EU**”) which was introduced to address the shortcomings in the national laws and regulations of EU Member States for the resolution of failing banks and financial institutions. The BRRD provides that it should be applied by EU Member States from 1 January 2015, except for the Bail-In Power (as described below) which should be applied from 1 January 2016. The implementation date of the BRRD in each EU Member State depends on the implementation legislation enacted, or which will be enacted, in each such EU Member State. The BRRD has been implemented in Germany by the SAG. The European Commission has adopted a number of Commission Delegated Regulations and Commission Implementing Regulations supplementing the BRRD.

The BRRD provides for the establishment of an EU-wide framework for the recovery and resolution of EU credit institutions and investment firms as well as certain of their group companies falling under the scope of the BRRD. The BRRD requires the governments of all EU Member States to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of that institution’s critical financial and economic functions, while minimising the impact of that institution’s failure on the broader economy and financial system.

The BRRD contains four resolution tools and powers (the “**Resolution Tools**”) which may be used alone or in combination where the relevant resolution authority considers that (a) an affected institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such affected institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables the relevant resolution authorities to direct the sale of the affected institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables the relevant resolution authorities to transfer all or part of the business of the affected institution to a “**bridge institution**” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables the relevant resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) Bail-In Power (as described in the paragraph headed “**What is “Bail-In Power”?**” below).

It is important to note that certain protections are granted to the creditors of an institution in case of the exercise of the Resolution Tools (including the Bail-In Power) over such institution. The most important one is the principle known as the “**no creditor worse off principle**” as provided for in the BRRD. This principle is intended to ensure that the creditors of an affected institution which is subject to the exercise of the Bail-In Power under the BRRD shall not incur greater losses than they would have incurred if such affected institution had been wound up under normal insolvency proceedings. For this purpose, the relevant resolution authorities in the EU have to ensure that it is assessed at the time of exercise of the Bail-In Power whether shareholders and creditors of an affected institution would have received better treatment if such affected institution had entered into normal insolvency proceedings.

The Issuer is subject to the BRRD

The Issuer is an investment firm founded in Germany and is subject to German legislation implementing the BRRD.

Under the SAG, being the German legislation implementing the BRRD, substantial powers are granted to BaFin, the German resolution authority, and/or to other relevant resolution authorities in the EU, to implement resolution measures (including the use of the Resolution Tools) in respect of a German

investment firm (including, for example, the Issuer) and certain of its affiliates to protect and enhance the stability of the financial system of Germany if the relevant resolution authorities consider the failure of the relevant entity has become likely and certain other conditions are satisfied.

The Resolution Tools may be exercised over the Issuer

The exercise of any Resolution Tool or any suggestion of any such exercise under the BRRD over the Issuer could adversely affect the value of the Structured Products. You may therefore lose all or a substantial part of your investment in the Structured Products.

In addition, the resolution powers could be exercised (i) prior to the commencement of any insolvency proceedings in respect of the Issuer, and (ii) by the relevant resolution authority without your consent or any prior notice to you. It is also uncertain how the relevant resolution authority would assess triggering conditions in different pre-insolvency scenarios affecting the Issuer under the BRRD. Accordingly, you may not be able to anticipate a potential exercise of any such resolution powers over the Issuer.

What is “Bail-In Power”?

“**Bail-In Power**” (as defined in the Conditions) means the power of the relevant resolution authorities to write down or convert to equity certain claims of unsecured creditors of a failing institution existing from time to time under, and exercised in compliance with, the SAG and any laws, regulations, rules or requirements in effect in Germany, relating to the transposition of the BRRD as amended from time to time, and the instruments, rules and standards created thereunder, pursuant to which, in particular, the obligations of the Issuer under the Structured Products can be reduced (in part or in whole), cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person. Please see the General Conditions as set out in Appendix 1 of this document for further details, in particular General Condition 2.5.

The Issuer’s obligations under the Structured Products are subject to the “Bail-In Power”

In addition to applicable relevant German law provisions relating to the use of the bail-in tool, the Conditions include a contractual term regarding the “**Bail-In Power**” and will be contractually subject to the exercise of any “**Bail-In Power**” by the relevant resolution authority if such authority should so decide at the relevant time.

By investing in the Structured Products, you acknowledge, accept, consent and agree to be contractually bound by the exercise of any Bail-In Power by the relevant resolution authorities over the Issuer. You further acknowledge, accept, consent and agree that your rights under the Structured Products are contractually subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-In Power by the relevant resolution authorities.

The effect of the exercise of the Bail-In Power by the relevant resolution authority over the Issuer may include and result in any of the following, or some combination thereof:

- (a) the reduction of all, or a portion, of the amounts payable by the Issuer under the Conditions (including a reduction to zero);
- (b) the conversion of all, or a portion, of the amounts due under the Structured Products into shares or other securities or other obligations of the Issuer or of another person, including by means of an amendment, modification or variation of the Conditions, in which case you agree to accept in lieu of your contractual rights under the terms of the Structured Products any such shares, other securities or other obligations of the Issuer or another person;
- (c) the cancellation of the Structured Products;

- (d) the amendment or alteration of the maturity of the Structured Products or amendment of the amount of interest, if any, payable on the Structured Products, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or
- (e) if applicable, the variation of the Conditions, if necessary to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

By investing in the Structured Products, you acknowledge, accept, consent and agree that neither a cancellation of the Structured Products, a reduction of all, or a portion of, the amounts due under the Conditions, the conversion thereof into other securities or other obligations of the Issuer or another person, as a result of the exercise of the Bail-In Power by the relevant resolution authority will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the holders of the Structured Products to any remedies (including equitable remedies) which are expressly waived.

You furthermore acknowledge, accept, consent and agree that General Condition 2.5 below is exhaustive on the matters described therein and as such excludes any other agreements, arrangements or understandings between you as Holder and the Issuer relating to the subject matter of General Condition 2.5.

Accordingly, if any Bail-In Power is exercised over the Issuer, you may not be able to recover all or even part of the amount due under the Structured Products (if any) from the Issuer, or you may receive a different security issued by the Issuer (or another person) in place of the amount (if any) due to you under the Structured Products from the Issuer, which may be worth significantly less than the amount due to you under the Structured Products (if any).

Moreover, the relevant resolution authorities may exercise the Bail-In Power without providing any advance notice to, or requiring your further consent.

Please see the section headed “**Risks due to the Bank Recovery and Resolution Directive and the German Restructuring and Resolution Act**” for further details of the relevant risk factors applicable to the Structured Products.

PLACING AND SALE

General

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

United States of America

The Structured Products have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States and no person has registered nor will register as a commodity pool operator of the Issuer or a commodity trading advisor under the U.S. Commodity Exchange Act of 1936, as amended (the “**CEA**”), and the rules of the Commodity Futures Trading Commission (“**CFTC**”) thereunder (the “**CFTC rules**”). Furthermore, the Issuer has not been registered and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended.

Consequently, the Structured Products may not be offered, sold, pledged, resold, delivered or otherwise transferred at any time except in accordance with the following sentence. By its acquisition of a security or of a beneficial interest therein, the acquirer:

- (1) represents that
 - (a) it acquired the security or such beneficial interest in an “offshore transaction” (as such term is defined under Regulation S under the Securities Act (“**Regulation S**”));
 - (b) it is not a “U.S. Person” as such term is defined under Rule 902(k)(1) of Regulation S; it does not come within any definition of U.S. person for any purpose under the CEA or any CFTC rule, guidance or order proposed or issued by the CFTC under the CEA (for the avoidance of doubt, any person who is not a “Non-United States Person” as such term is defined under CFTC Rule 4.7(a)(1)(iv)K, under the Commission Regulation 23.160 and the CFTC’s Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (26 July 2013), shall be considered a U.S. Person); and it is not a “United States Person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the “**Code**”);
 - (c) either (1) it is not and will not be (i) an employee benefit plan as described in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) that is subject to the provisions of title i of ERISA, (ii) a plan described in Section 4975(e)(1) of the Code, that is subject to Section 4975 of the Code, (iii) an entity whose assets are treated as assets of any of the foregoing (each of (i), (ii) and (iii) are referred to as “**Benefit Plan Investors**”) or (iv) any plan that is subject to a law that is similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code (“**Similar Law**”), or (2) the acquisition and holding of the Structured Products will not, in the case of a Benefit Plan Investor, give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code because such acquisition and holding satisfies the conditions for relief under an applicable prohibited transaction exemption or, in the case of a plan subject to similar law, result in a violation of any similar law; and

- (d) if it is acquiring the security or a beneficial interest therein for the account or benefit of another person, such other person is also a Permitted Purchaser;
- (2) agrees for the benefit of the Issuer that it will not, at any time during the term of the security, offer, sell, pledge or otherwise transfer the security or any beneficial interest therein, as applicable, except to a Permitted Purchaser acting for its own account or for the account or benefit of another Permitted Purchaser in an offshore transaction (as defined above) and acknowledges that the Issuer has the right to refuse to honour a transfer of any security or interest in violation of the foregoing;
- (3) acknowledges that if at any time the acquirer is no longer a Permitted Purchaser, the Issuer has the right to (a) compel the acquirer to sell the security or beneficial interest therein, as applicable, to a person who is a Permitted Purchaser or (b) compel the beneficial owner to transfer the security or beneficial interest therein, as applicable, to the Issuer and, if the latter is not also the seller, to the seller of these Structured Products, in each case, for the least of (x) the purchase price therefore paid by the beneficial owner, (y) 100 per cent. Of the principal amount thereof and (z) the fair market value thereof; and
- (4) acknowledges that the Issuer may compel each beneficial owner of the Structured Products to certify periodically that such beneficial owner is a Permitted Purchaser.

“Permitted Purchaser” means any person that:

- (a) is not a **“U.S. person”** as such term is defined under Rule 902(k)(1) of Regulation S;
- (b) does not come within any definition of U.S. person for any purpose under the CEA or any CFTC rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a **“Non-United States person”** as such term is defined under CFTC Rule 4.7(a)(1)(iv), under the Commission Regulation 23.160 and the CFTC’s **“Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations”** as published by the CFTC on 26 July 2013 (78 Fed. Reg. 45292), shall be considered a U.S. person); and
- (c) is not a **“United States person”** within the meaning of Section 7701(a)(30) of the Code.

As defined in Rule 902(k)(1) and (2) of Regulation S, **“U.S. person”** means:

- (a) any natural person resident in the United States;
- (b) any partnership or corporation organized or incorporated under the laws of the United States;
- (c) any estate of which any executor or administrator is a U.S. person;
- (d) any trust of which any trustee is a U.S. person;
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership or corporation if:
 - (i) organized or incorporated under the laws of any foreign jurisdiction; and

- (ii) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.

The following are not “**U.S. persons**”:

- (a) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States;
- (b) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if:
 - (A) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and
 - (B) the estate is governed by foreign law;
- (c) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person;
- (d) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- (e) any agency or branch of a U.S. person located outside the United States if:
 - (A) the agency or branch operates for valid business reasons; and
 - (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and
- (f) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans.

As defined in CFTC Rule 4.7(a)(1)(iv), modified as indicated above, “**Non-United States person**” means:

- (a) a natural person who is not a resident of the United States;
- (b) a partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
- (c) an estate or trust, the income of which is not subject to United States income tax regardless of source;
- (d) an entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States persons represent in the aggregate less than 10 per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to

which the operator is exempt from certain requirements of part 4 of the Commodity Futures Trading Commission's regulations by virtue of its participants being Non-United States persons; and

- (e) a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.

As defined in the CFTC's Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (26 July 2013), "**U.S. person**" includes, but is not limited to:

- (a) any natural person who is a resident of the United States;
- (b) any estate of a decedent who was a resident of the United States at the time of death;
- (c) any corporation, partnership, limited liability company, business or other trust, association, jointstock company, fund or any form of enterprise similar to any of the foregoing (other than an entity described in paragraphs (d) or (e), below) (a "**legal entity**"), in each case that is organized or incorporated under the laws of a state or other jurisdiction in the United States or having its principal place of business in the United States;
- (d) any pension plan for the employees, officers or principals of a legal entity described in clause (c), unless the pension plan is primarily for foreign employees of such entity;
- (e) any trust governed by the laws of a state or other jurisdiction in the United States, if a court within the United States is able to exercise primary supervision over the administration of the trust;
- (f) any commodity pool, pooled account, investment fund, or other collective investment vehicle that is not described in paragraph (c) and that is majority-owned by one or more persons described in paragraphs (a), (b), (c), (d), or (e), except any commodity pool, pooled account, investment fund, or other collective investment vehicle that is publicly offered only to non-U.S. persons and not offered to U.S. persons;
- (g) any legal entity (other than a limited liability company, limited liability partnership or similar entity where all of the owners of the entity have limited liability) that is directly or indirectly majority owned by one or more persons described in paragraphs (a), (b), (c), (d), or (e) and in which such person(s) bears unlimited responsibility for the obligations and liabilities of the legal entity; and
- (h) any individual account or joint account (discretionary or not) where the beneficial owner (or one of the beneficial owners in the case of a joint account) is a person described in paragraphs (a), (b), (c), (d), (e), (f), or (g).

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000 (referred to in the following as the "**FSMA**") must be observed in relation to all activities in connection with the Structured Products in the United Kingdom. Any communication of invitations or inducements to engage in investment activity within the meaning of Section 21 of the FSMA in connection with the issue or the sale of the Structured Products may only be issued or initiated in circumstances in which Section 21 (1) of the FSMA is not applicable. With respect to securities with a term of less than one year, the following must also be observed: (i) the securities may only be sold by persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, and (ii) these persons have not offered or sold securities and will not offer or sell securities except to persons whose ordinary activities involve them in acquiring, holding, managing or

disposing of investments (as principal or agent) for the purposes of their businesses or who is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, since the issue of the securities would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area (each, a “**Member State**”) any person offering the Structured Products (the “**Offeror**”) has represented and agreed, that it has not made and will not make an offer of Structured Products which are the subject of the offering contemplated by this Base Listing Document in relation thereto to the public in a Member State except that it may make an offer of such Structured Products to the public in a Member State:

- (a) if the supplemental listing document in relation to the Structured Products specify that an offer of those Structured Products to the public may be made in the relevant Member State in accordance with the EU Prospectus Legislation (as defined below) and the conditions of the offer set out in the Base Listing Document or in the relevant supplemental listing document, as the case may be, in the period specified in the supplemental listing document, provided that the Issuer has consented in writing to the use of the Base Listing Document for the purpose of such offer;
- (b) at any time if the offer is addressed solely to qualified investors as defined in the EU Prospectus Legislation (the “**Qualified Investors**”);
- (c) if the offer is addressed to fewer than 150 natural or legal persons (other than Qualified Investors) per Member State, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within a Prospectus Exemption (as defined below),

provided that no such offer of the Structured Products referred to in (b) to (d) above shall require the Issuer to publish a prospectus pursuant to the EU Prospectus Legislation or supplement a prospectus pursuant to the EU Prospectus Legislation.

For the purposes of this provision:

The expression an “**offer of the Structured Products to the public**” in relation to any Structured Products in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products, whereby the interpretation of this term vary in each Member State by a measure implementing the EU Prospectus Legislation in that Member State.

The expression “**EU Prospectus Legislation**” means the Directive 2003/71/EC (and any amendments thereto, including the Directive 2010/73/EU) (the “**Prospectus Directive**”), including any relevant implementing measure in the relevant Member State, and Regulation (EU) 2017/1129 (the “**Prospectus Regulation 2017**”) which will become applicable in major parts as from 21 July 2019 (the “**Effective Date**”). Therefore, as from the Effective Date, any reference in this section to EU Prospectus Legislation shall be read as a reference to the Prospectus Regulation 2017, as applicable from time to time.

The expression “**Prospectus Exemptions**” means Article 3 (2) (a) to (d) of the Prospectus Directive and, following the Effective Date, Article 1 (4) of the Prospectus Regulation 2017, and includes any additional exemptions and implementation measures applicable in the relevant Member State.

TAXATION

Hong Kong taxation

No tax is payable in Hong Kong by way of withholding or otherwise in respect of:

- (a) dividends of any company which has issued the underlying shares;
- (b) distributions of any trust which has issued the underlying units; or
- (c) any capital gains arising on the sale of the underlying assets or Structured Products,

except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

United States taxation

Section 871(m)

Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and the Treasury regulations thereunder (“**Section 871(m)**”) impose a 30 per cent. (or lower treaty rate) withholding tax on “**dividend equivalents**” paid or deemed paid to Non-U.S. Holders (as defined below) with respect to certain financial instruments linked to U.S. equities (“**U.S. Underlying Equities**”) or certain indices that include U.S. Underlying Equities. Section 871(m) generally applies to financial instruments that substantially replicate the economic performance of one or more U.S. Underlying Equities, as determined based on tests set forth in the applicable Treasury regulations. The discussion herein refers to a Structured Product subject to Section 871(m) as a “**Specified Structured Product**”.

The term “**Non-U.S. Holder**” means a holder of Structured Products that is, for U.S. federal income tax purposes, a non-resident alien individual, a foreign corporation or a foreign estate or trust that, in each case, does not hold a Specified Structured Product in connection with the conduct of a U.S. trade or business.

If a Structured Product is a Specified Structured Product, withholding in respect of dividend equivalents will generally be required either (i) on the underlying dividend payment date or (ii) upon any payment in respect of the Structured Product (including upon exercise or termination), a lapse of the Structured Product or other disposition by the Non-U.S. Holder of the Structured Product, or possibly upon certain other events.

The Issuer’s determination regarding Section 871(m) is generally binding on Non-U.S. Holders, but it is not binding on the United States Internal Revenue Service (the “**IRS**”). Accordingly, even if the Issuer determines that certain Structured Products are not Specified Structured Products, the IRS could challenge the Issuer’s determination and assert that withholding is required in respect of those Structured Products.

The application of Section 871(m) to a Structured Product may be affected if a Non-U.S. Holder enters into another transaction in connection with the acquisition of the Structured Product. For example, if a Non-U.S. Holder enters into other transactions relating to a U.S. Underlying Equity, the Non-U.S. Holder could be subject to tax under Section 871(m) even if the relevant Structured Products are not Specified Structured Products subject to Section 871(m) as a general matter. Furthermore, beginning in 2021, dividend equivalents paid in connection with combined transactions could be subject to withholding. Non-U.S. Holders should consult their tax advisors regarding the application of Section 871(m) in their particular circumstances.

The Issuer will not be required to pay any additional amounts as compensation in respect of amounts withheld under Section 871(m).

The Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”), enacted in 2010, impose a reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to certain holders that do not comply with specific information requests and to foreign financial institutions unless the payee foreign financial institution agrees, among other things, to disclose the identity of certain U.S. account holders at the institution (or the institution’s affiliates) and to annually report certain information about such accounts.

This withholding currently applies to certain payments from sources within the United States and will apply to “**foreign passthru payments**” (a term not yet defined) no earlier than 1 January 2019. Proposed U.S. Treasury regulations were recently published that delay the effective date of withholding on payments of “**foreign passthru payments**” until the date that is two years after the date on which final U.S. Treasury regulations defining the term “**foreign passthru payment**” are filed with the U.S. Federal Register. This withholding would potentially apply to payments in respect of (i) any Structured Products characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the “**grandfathering date**”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term “**foreign passthru payment**” are filed with the U.S. Federal Register, or which are materially modified after the grandfathering date and (ii) any Structured Products characterized as something other than debt for U.S. federal tax purposes, whenever issued. If Structured Products are issued on or before the grandfathering date, and additional Structured Products of the same series are issued after that date, the additional Structured Products may not be treated as grandfathered.

The United States and a number of other jurisdictions have either entered into or announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “**Model 1**” and “**Model 2**” IGAs released by the United States, a “**foreign financial institution**”, or “**FFI**” (as defined by FATCA) resident in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a “**FATCA Withholding**”) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the United States Internal Revenue Service (the “**IRS**”). The United States and Germany have signed an agreement (the “**U.S. – Germany IGA**”) based largely on the Model 1 IGA.

The Issuer is treated as a Reporting FI pursuant to the U.S.-Germany IGA and has registered with the IRS. The Issuer does not anticipate being obliged to deduct any FATCA Withholding on payments it makes but there can be no assurance that the Issuer will not be required to deduct FATCA Withholding from such payments. Accordingly, the Issuer and financial institutions through which payments on the Structured Products are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Structured Products is made is not a participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from principal or other payments on the Structured Products as a result of a holder's failure to comply with FATCA, none of the Issuer, any paying agent or any other person would pursuant to the terms and conditions of the Structured Products be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of the Structured Products should consult their tax advisers regarding the application of FATCA to an investment in the Structured Products and their ability to obtain a refund of any amounts withheld under FATCA.

APPENDIX 1
GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the supplemental terms and conditions contained in the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the relevant Product Conditions together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“**Base Listing Document**” means the base listing document relating to Structured Products dated 5 May 2020 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**CCASS**” means the Central Clearing and Settlement System established and operated by the HKSCC;

“**CCASS Rules**” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Conditions**” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“**Designated Bank Account**” means the relevant bank account designated by each Holder;

“**Exercise Expenses**” means, in respect of each series of Structured Products, any charges or expenses (including any taxes or duties) which are incurred in respect of the exercise of a Board Lot of Structured Products;

“**Expiry Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means these general terms and conditions. These General Conditions apply to each series of Structured Products;

“**Global Certificate**” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Holder**” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and such person shall be treated by the Issuer and the Sponsor as the absolute owner and holder of the Structured Products;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“**Instrument**” means an instrument dated 11 December 2019 (as amended, supplemented or replaced from time to time) executed by the Issuer by way of deed poll pursuant to which the Issuer creates and grants to the Holders certain rights in relation to the Structured Products;

“**Issuer**” means Citigroup Global Markets Europe AG;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

“**Listing Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document and on which dealing of the Structured Products on the Stock Exchange commences;

“**Nominee**” means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS);

“**Product Conditions**” means, in respect of each series of Structured Products, the product specific terms and conditions that apply to that particular series of Structured Products;

“**Register**” means, in respect of each series of Structured Products, the register of the Holders of such series of Structured Products kept by the Issuer in Hong Kong;

“**Settlement Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Disruption Event**” means an event which is beyond the control of the Issuer and as a result of which, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date;

“**Share**” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“**Sponsor**” means Citigroup Global Markets Asia Limited;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Structured Products**” means standard warrants (“**Warrants**”), callable bull/bear contracts (“**CBBCs**”) or such other structured products to be issued by the Issuer from time to time. References to “**Structured Products**” are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, any further structured products issued pursuant to General Condition 8; and

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the relevant Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Additional Costs and Expenses

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Sponsor.

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee.

2.2 Status of the Issuer's obligations

The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 Transfer of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

2.4 Additional Costs and Expenses

Holders shall be responsible for additional costs and expenses in connection with any exercise of the Structured Products including the Exercise Expenses which amount shall, subject to the General Condition 3.2 and to the extent necessary, be payable to the Issuer and collected from the Holders.

2.5 Bail-in

Each Holder (which, for the purposes of this General Condition, includes each holder of a beneficial interest in the Structured Products) acknowledges, accepts, consents and agrees by its acquisition of the Structured Products:

- (a) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority if the latter were to consider that the amounts due under the Structured Products fall within the scope of the Bail-In Power. This Bail-In Power may include and result in any of the following, or some combination thereof:
 - (i) the reduction of all, or a portion, of the amounts due under the Structured Products;
 - (ii) the conversion of all, or a portion, of the amounts due under the Structured Products into shares, other securities or other obligations of the Issuer or another person, including by means of an amendment, modification or variation of the Conditions of the Structured Products, in which case each Holder agrees to accept in lieu of its rights under the Structured Products any such shares, other securities or other obligations of the Issuer or another person;

- (iii) the cancellation of the Structured Products; and
 - (iv) the amendment or alteration of the maturity of the Structured Products or amendment of the amount of interest payable on the Structured Products (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
- (b) if applicable, that the terms of the Structured Products are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority and each Holder agrees that such variations will be binding on it;
 - (c) that neither a cancellation of the Structured Products, a reduction of all, or a portion of, the amounts due under the Structured Products, the conversion thereof into other securities or other obligations of the Issuer or another person, as a result of the exercise of the Bail-In Power by the relevant resolution authority with respect to the Structured Products will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies) which are hereby expressly waived; and
 - (d) that this General Condition 2.5 is exhaustive on the matters described herein and as such excludes any other agreements, arrangements or understandings between a Holder and the Issuer relating to the subject matter of this General Condition 2.5.

For the purposes of this General Condition:

“Bail-In Power” means any resolution power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Germany, whether relating to (i) the transposition of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) as amended from time to time and as implemented under German law by, among others, the Restructuring and Resolution Act (*Sanierungs- und Abwicklungsgesetz*) (the SAG) (which came into force on 1 January 2015), (ii) the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (“**SRM**”), to the extent applicable, or (iii) otherwise arising under German law, and the instruments, rules and standards created thereunder, pursuant to which, in particular, the obligations of the Issuer can be reduced (in part or in whole), cancelled, modified or converted into shares, other securities, or other obligations of such regulated entity or any other person.

“relevant resolution authority” means *Bundesanstalt für Finanzdienstleistungsaufsicht* (BaFin) and/or any other authority entitled to exercise or participate in the exercise of any Bail-In Power with the authority to exercise any of the German Bail-In Powers against the Issuer from time to time including, to the extent applicable, the Council of the European Union and the European Commission when acting pursuant to Article 18 of the SRM.

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

Every Board Lot initially entitles the Holders, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, the rights to receive payment of the Cash Settlement Amount, if any.

3.2 Holders responsible for Exercise Expenses

Upon exercise or early expiration of a particular series of Structured Products, the Holders of such series will be required to pay a sum equal to all the expenses resulting from the exercise or early expiration of such Structured Products. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with the applicable Product Conditions.

4. Purchase

The Issuer or any of its subsidiaries may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. No definitive certificate will be issued.

6. Meetings of Holders and Modification

6.1 Meetings of Holders

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holders or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;

- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. The Issuer shall not be required to despatch copies of the notice to the Holders.

8. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

9. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

10. Governing Law

The Structured Products and the Instrument are governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) submit for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

11. Language

In the event of any inconsistency between the Chinese translation and the English version of these Conditions, the English version of these Conditions prevails.

12. Prescription

Claims against the Issuer for payment of any amount in respect of the relevant Structured Products will become void unless made within ten years of the Expiry Date or the end of the MCE Valuation Period (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

- (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

(each of (i) and (ii), a “**Change in Law Event**”); or

- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Structured Products due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Products held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

14. Sponsor

14.1 The Sponsor will not assume any obligation or duty to or any relationship of agency or trust for the Holders.

14.2 The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Sponsor and to appoint another sponsor provided that it will at all times maintain a sponsor in Hong Kong for so long as the Structured Products are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with General Condition 7.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor
Champion Tower
Three Garden Road
Central
Hong Kong

APPENDIX 2
PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

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PART A
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a **“BLACK”** rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the **“BLACK”** rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Shares to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or

surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as

contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

5. Delisting

5.1 Adjustments following delisting

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor

Champion Tower

Three Garden Road

Central

Hong Kong

PART B
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Closing Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Compiler**” means the index compiler specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Currency Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” means the index stock exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Interim Currency**” means the currency specified in the relevant Launch Announcement and Supplemental Listing Document;

“**Market Disruption Event**” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “**BLACK**” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “**BLACK**” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of Warrants over index;

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“**Strike Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Successor Index Compiler**” means a successor to the Index Compiler acceptable to the Issuer; and

“**Valuation Date**” means the date specified in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 *Record in the Register*

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 *Cash Settlement*

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. **Adjustments to the Index**

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts or commodities and other routine events); or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts or commodities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor
Champion Tower
Three Garden Road
Central
Hong Kong

PART C
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions and supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“**Average Price**” shall be the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of Call Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) In the case of a series of Put Warrants:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Exercise Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Market Disruption Event**” means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:

(i) the Units; or

- (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “**BLACK**” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “**BLACK**” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Number of Warrant(s) per Entitlement**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single unit trusts;

“**Settlement Date**” means the third CCASS Settlement Day after later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“**Trust**” means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.

For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

Adjustments may be made by the Issuer to the number of Units to which the Warrants relate on the basis of the following provisions:

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Right

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 *Bonus Issues*

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of

Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the unexercised Warrants will lapse and shall cease to be valid on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, the unexercised Warrants will lapse and shall cease to be valid on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustment binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

Sponsor:

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APPENDIX 3
PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

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PART A
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Company**” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during a Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “**BLACK**” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “**BLACK**” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be

extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single equities;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Share**” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“**Strike Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of

the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 Responsibility of Issuer and Sponsor

None of the Issuer, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

2.9 Liability of Issuer and Sponsor

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such

Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

5. Delisting

5.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor
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Three Garden Road
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PART B
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Divisor**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**First Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Index**” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Business Day**” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“**Index Compiler**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Currency Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Index Exchange**” means the index exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Interim Currency**” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Mandatory Call Event**” occurs if the Spot Level is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level,

at any time during an Index Business Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contract are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “**BLACK**” rainstorm signal on any day which either:
- (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “**BLACK**” rainstorm signal have been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Maximum Index Level**” means the highest Spot Level during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“**Minimum Index Level**” means the lowest Spot Level during the MCE Valuation Period;

“**Observation Commencement Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“**Price Source**”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Product Conditions**” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over index;

“**Residual Value**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“**Second Exchange Rate**” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“**Spot Level**” means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

“**Strike Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“**Valuation Date**” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or

- (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer and Sponsor*

None of the Issuer, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

2.9 *Liability of Issuer and Sponsor*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. **Adjustments**

3.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holder. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor
Champion Tower
Three Garden Road
Central
Hong Kong

PART C
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS
OVER SINGLE UNIT TRUSTS

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**Closing Price**” means the official closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;

“**Entitlement**” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**General Conditions**” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“**Mandatory Call Event**” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during any Trading Day in the Observation Period;

“**Market Disruption Event**” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“**Maximum Trade Price**” means the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**MCE Valuation Period**” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be

extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day, shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single unit trusts;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“**Settlement Date**” means the third CCASS Settlement Day after: (a) the end of the MCE Valuation Period; or (b) the later of: (i) the Expiry Date; and (ii) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“**Spot Price**” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“**Strike Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Trust**” means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Unit**” means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided that if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Unit on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer and Sponsor*

None of the Issuer, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

2.9 *Liability of Issuer and Sponsor*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 *Trading*

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

Adjustment Component = $1 + N$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 *Subdivisions and Consolidations*

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 *Restructuring Events*

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

Adjusted Entitlement = Adjustment Component x E

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 *Notice of Determinations*

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. **Termination or Liquidation**

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

For the purpose of this Product Condition 4, “**Termination**” means:

- (i) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences;
- (ii) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted;
- (iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or
- (iv) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. **Delisting**

5.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of

the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.

Sponsor:

Citigroup Global Markets Asia Limited

50th Floor
Champion Tower
Three Garden Road
Central
Hong Kong

APPENDIX 4 BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 4 is based on, extracted or reproduced from the website of S&P at <https://www.spglobal.com/ratings/en/> and the website of Moody's at <https://www.moodys.com>. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this Appendix 4 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 4 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P and Moody's on what each of their investment-grade ratings means.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat susceptible to adverse economic conditions and changes in circumstances.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments, but is more subject to adverse economic conditions.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Please refer to <https://www.spglobal.com/ratings/en/about/understanding-ratings> for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://www.moody.com/Pages/amr002002.aspx> for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by S&P or Moody's will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

APPENDIX 5
AUDITOR'S REPORT AND OUR FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED 31 DECEMBER 2019

Our financial statements for the fiscal year ended 31 December 2019 and our auditor's report thereon are set out in this Appendix 5. References to page numbers on the following pages are to the page numbers of such document.

For reference, please refer to our base listing document dated 19 December 2019 for (i) our audited financial statements for the short fiscal year from 1 January 2018 to 27 April 2018 and (ii) our audited financial statements for the short fiscal year from 28 April 2018 to 31 December 2018.

Balance Sheet for the Fiscal Year as of December 31, 2019
Citigroup Global Markets Europe AG, Frankfurt am Main

Assets	EUR	EUR	EUR	12/31/2018 TEUR
1. Cash reserve				
a) Cash on hand	-,-			-
b) Credit balances held at central banks of which: at the German <i>Bundesbank</i> (German Central Bank) EUR	-,-			-
c) Credit balances held at post giro offices EUR	-,-			-
		322,581,132.82	322,581,132.82	130,752
2. Receivables from banks				
a) Due upon demand				-
b) Other receivables				-
			5,406,732,096.58	785,695
3. Receivables from clients of which: secured through <i>in rem</i> security interests (<i>Grundpfandrechte</i>) municipal loans				
EUR	-,-			-
EUR	-,-			-
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 <i>Bundesbank</i>	-,-			-
EUR	-,-			-
bb) issued by other entities of which: qualifying as collateral for the German <i>Bundesbank</i>	-,-			-
EUR	-,-			-
c) Own debt securities face value				
EUR	-,-			-
			8,932,625,096.59	4,615,404
5. Stocks and other variable-yield securities				
5a Trading portfolio				
(TEUR = EUR 1,000)				

	Liabilities and equity capital			
	EUR	EUR	EUR	12/31/2018 TEUR
1. Liabilities owed to banks				
a) Payable on demand		76,277,731.38		12,301
b) With an agreed term or notice period		0.00	76,277,731.38	-
2. Liabilities owed to clients				
a) Savings deposits				
aa) with an agreed notice period of three months	-:--			-
ab) with an agreed notice period of more than three months	-:--			-
b) Other liabilities				
ba) payable on demand	3,531,591,976.00			44,533
bb) with an agreed term or notice period	761,502,994.10	4,293,094,970.10	4,293,094,970.10	285,538
3. Securitized liabilities				
a) Issued debt securities				-
b) Other securitized liabilities				-
of which:				
Money market paper			EUR	-:-- (12/31/2018 TEUR)
Own acceptances and promisory notes outstanding (sola bill)			EUR	-:-- (12/31/2018 TEUR)
c) Miscellaneous securitized liabilities				-
3a Trading portfolio			9,081,657,597.78	4,679,111
4. Trust liabilities			507,280,870.90	-
5. Other liabilities			970,490,324.51	10,353
6. Deferred income				-
7. Accrued liabilities				-
a) Pensions and similar				-

obligations			
b) Tax reserves	19,333,249.00		19,610
c) Other accrued liabilities	6,094,196.68		-
	82,552,323.87	107,979,769.55	40,188
		<u>28,333,610.23</u>	<u>28,334</u>

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

9. Equity capital

a) Subscribed capital			
aa) registered share capital	242,393,054.05		210,570
ab) silent partner capital	-,-	242,393,054.05	-
b) Capital reserve	<u>949,491,018.15</u>	<u>949,491,018.15</u>	<u>318,967</u>
c) Earnings reserves			
ca) legal reserve	33,027,197.15		33,027
cb) reserves for treasury shares	-,-		-
cc) reserves required by articles of association	-,-		-
cd) other earnings reserves	<u>27,916,536.71</u>	<u>60,943,733.86</u>	<u>27,917</u>
d) Unappropriated earnings/loss (balance sheet profit/loss)		1,252,827,806.06	-14,737
		-,-	

Total liabilities and equity capital	16,317,942,680.51	5,695,712
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Income Statement
for the Period of January 1, 2019 through December 31, 2019
Citigroup Global Markets Europe AG, Frankfurt am Main

	EUR	EUR	EUR	Short fiscal year 04/28/2018-12/31/2018 TEUR
1. Interest income from				
a) Loans and money market transactions	18,930,271.03			3,076
2. Negative interest income from				
a) Loans and money market transactions	<u>10,324,754.53</u>	8,605,516.50		2,932
3. Interest expenses	18,756,116.15			4,633
4. Positive interest from loans and money market transactions	<u>10,804.61</u>	<u>-18,745,311.54</u>	<u>-10,139,795.04</u>	40
5. Current income from				
a) Shares and other variable-yield securities		<u>249,950.00</u>		-
b) Equity investments		<u>-</u>	249,950.00	80
c) Interests in affiliated enterprises		<u>-</u>		-
6. Commission income		<u>211,805,730.32</u>		95,186
7. Commission expenses		<u>34,506,518.56</u>	<u>177,299,211.76</u>	7,414
8. Net income from financial trading operations			<u>29,029,886.95</u>	25,037
included therein are deposits into special accounts per § 340g HGB EUR -; (04/28/2018-12/31/2018 EUR-;)				
9. Other operating income			<u>40,291,317.48</u>	5,557
10. General administrative expenses				
a) Personnel expenses			<u>151,232,098.95</u>	36,680
aa) wages and salaries				
ab) social security contributions, pension and welfare expenses		<u>161,501,589.54</u>		6,801
of which: for				
pensions	EUR 5,403,795.77			
b) other administrative expenses		<u>99,882,294.16</u>	<u>261,383,883.70</u>	55,591

11. Depreciation, amortisation and write-downs of tangible and intangible assets	8,449,715.17	485
12. Other operating expenses	7,058,655.76	24,437
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	0.00	0
15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities	-	-
16. Results from ordinary operations	./. 40,161,683.48	./. 9,997
17. Extraordinary income	-	-
18. Extraordinary expenses	-	-
19. Extraordinary result	-	0
20. Taxes on income and earnings	5,577,169.47	4,740
21. Other taxes, to the extent not included in item 12	5,577,169.47	-
22. Income from loss transfers	-	-
23. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement	-	0
24. Annual net loss	./. 45,738,852.95	./. 14,737
25. Profit carried forward/loss carried forward from prior year	./. 14,736,882.81	-
	./. 60,475,735.76	-
26. Transfers from capital reserves	60,475,735.76	-
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 other earnings reserves	-
	-
28. Transfers from capital participation rights (Genusrechtskapital)	-
	-
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 loss (balance sheet loss)	./. 14,737

Cash Flow Statement per German Accounting Standard No. 21

	Fiscal Year 1/1/19-12/31/19	Short Fiscal Year 4/28/18 – 12/31/18
	TEUR	TEUR
Annual Net Loss	-45,739	-14,736
<i>Cash positions included in the annual net income and reconciliation with cash flow from current operating activities:</i>		
Amortization/depreciation, value adjustments and reversals on receivables, tangible and financial	-12,330	6,135
Changes in accruals	53,418	11,367
Change in other non-cash expenses/income	-	-
Gain/loss from the sale of financial and tangible assets	77	-
Other adjustments (in net terms)	9,845	-1,864
Subtotal:	5,271	902
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- from banks	-191,829	605,145
- from clients	-5,151,565	-695,159
Trading portfolio assets	-4,317,221	1,313,112
Other assets from current operating activities	-901,968	-117,955
<i>Liabilities:</i>		
- owed to banks	63,976	-98,635
- owed to clients	4,470,305	275,621
Securitized liabilities	-	-
Trading portfolio liabilities	4,402,547	-1,228,622
Other liabilities from current operating activities	978,861	-21,092
Interest and dividend payments received	24,813	14,170
Interest paid	-29,081	-7,565
Income tax payments	-5,577	-4,741
Cash flow from current operating activities	-651,468	35,181
<i>Payments received from the outflow of</i>		
- Financial assets	5,318	5,421
- Tangible assets	53	-
<i>Payments made for investments in</i>		
- Financial assets	-1,667	-
- Tangible assets	-475	-482
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	3,229	4,939
Payments received from contributions to equity capital	624,992	-
<i>Payments made to company owners:</i>		
- Dividend payments	-	-40,120
- Other outgoing payments	-	-
Change in cash resources other capital (in net terms)	23,247	-
Cash flow from financing activities	648,239	-40,120
Cash and cash equivalents at the end of previous period	0	0
Cash flow from current operating activities	-651,468	35,181
Cash flow from investing activities	3,229	4,939
Cash flow from financing activities	648,239	-40,120
Cash and cash equivalents at the end of the period	0	0

Statement of Changes in Equity

The Bank's equity capital consists of the following:

	Share capital TEUR	Capital reserve TEUR	Earnings reserves TEUR	Unappro-riated profit/loss TEUR	Total equity capital TEUR
Per December 31, 2018	210,570	318,966	60,944	-14,736	575,744
Capital increases with premium	31,823	66,009	-	-	97,832
Capital reductions/share repurchases	-	-	-	-	-
Dividends paid	-	-	-	-	-
Additional payments into equity capital pursuant to § 272 para. 2 no. 4 of the German Commercial Code	-	624,992	-	-	624,992
Result December, 2019				-45,740	-45,740
Withdrawal from capital reserve	-	-60,476	-	60,476	0
Per December 31, 2019	242,393	949,491	60,944		1,252,828

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 Europe AG,
Frankfurt am Main**

**Notes
to the Financial Statements for the Fiscal Year
of January 1, 2019 through December 31, 2019**

I. General Information

Citigroup Global Markets Europe AG, Frankfurt am Main (abbreviated herein as "CGME"), is a stock corporation with its registered place of business in Frankfurt am Main and has been recorded in the Commercial Register of the Local Court of Frankfurt am Main under registration number HRB 88301 since June 10, 2010.

On February 15, 2019, the sole shareholder of CGME, Citigroup Global Markets Limited, London/UK, (CGML), resolved in a special shareholders' meeting of CGME to transfer its capital markets business, which had been operated in the Paris, Milan and Madrid branches and which included the related tangible and intangible assets and liabilities as well as other rights and duties (hereinafter referred to as "In-kind Capital Contribution"), into CGME by way of a capital contribution-in-kind pursuant to § 183 (1) of the German Stock Corporation Act (AktG), thereby increasing CGME's registered share capital. The registered share capital, which had previously totaled EUR 210,569,889.00 was thereby increased by EUR 31,823,165.05 to EUR 242,393,054.05 through the issuance of 1,244,814 new, registered no par shares with a *pro rated* value of EUR 25.56 per share (rounded-off to two decimal places). The capital increase was entered in the Commercial Register on April 2, 2019.

In February and December 2019, CGML also made an additional payment into equity capital pursuant to § 272 (2) no. 4 of the German Commercial Code in the amount of EUR 625 million.

II. Accounting Principles

The financial statements for the fiscal year of January 1 through December 31, 2019 ("Fiscal Year") were prepared in accordance with the provisions of the German Commercial Code (abbreviated herein as "HGB"), the German Stock Corporation Act (abbreviated herein as "AktG") and the supplemental accounting rules of the provisions under the Accounting Regulation for Banks and Financial Services Institutions (abbreviated herein as "RechKredV").

The balance sheet and income statement were organized and structured on the basis of the standard forms prescribed in RechKredV.

CGME is a capital markets-oriented corporation within the meaning of § 264d HGB in combination with § 340a (1) HGB.

In connection with explaining individual items on the balance sheet and income statement as of the balance sheet date, the discussion below will compare the relevant numbers with those booked as of the end of the preceding short fiscal year, which ran from April 28 through December 31, 2019 ("Previous Short Fiscal Year"). However, the ability to compare the relevant financial statement items is, in some cases, restricted because in addition to the different duration of periods under comparison, the business activity of CGME in 2019 compared to the Previous Short Fiscal Year featured, among other things, an expansion of trading in financial instruments that was done against the background of the restructuring effects on the business activities within Citigroup, which were occasioned by BREXIT.

III. Accounting and Valuation Methods

The accounting and valuation methods remain unchanged from the Previous Short Fiscal Year.

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 on the balance sheet at the repayment amount plus accrued interest and, if required, less any allowances established to cover counterparty risks. The valuation of the **financial instruments of the trading portfolio** was carried out at fair value less a risk discount in accordance with sentence one of § 340e (3) sentence 1 HGB. The financial instruments are recognized at their cost of acquisition at the time they are acquired. 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 in accordance with the hierarchical order of valuation criteria set forth in § 255 (4) HGB. The recognized value of financial instruments, which are not traded on an active market, are determined using generally accepted valuation methods (e.g., on the basis of option pricing models). In general, these methods are based on estimates of future cash flows while factoring in any risk factors. In this regard, the most important factors, in each case dependent on the nature of the relevant financial instrument, are the "underlying price", "implicit volatilities", "yield curves" and "dividend forecasts". In this regard and depending on the structure of the respective financial instrument, there are, *inter alia*, other assumptions that the valuation is "risk-neutral" with regard to the future development of market prices, that interest rates and credit costs are deterministic and, for example, that the amount of dividends is generally known and will be paid on certain dates. Furthermore, when applying the valuation models, additional probabilities regarding the occurrence of certain valuation parameters or factor sensitivities (Delta, Gamma) are also taken into account.

The stock market prices used for the valuations are mid prices.

As of December 31, 2019, a risk discount (**Value at Risk figures**) in the amount of TEUR 6,779 (12/31/2018: TEUR 1,701) was applied.

To calculate the value at risk, CGME uses an internal model which was developed by Citigroup (IMA) and which, since the beginning of 2019 is used to meet the equity capital needs to cover market price risks. An approval for the temporary use of the market risk profile has been received from the Federal Financial Supervisory Authority ("BaFin"). Compared to the standard approach previously used, the IMA permits a more detailed calibration of the risk sensitivities. In this way, the market price risks, which represent the main component of the portfolio for CGME, are covered more precisely. The main driver for the increase in the position is the 10-day value at risk component available in the IMA, based on a 99% confidence level.

Moreover, CGME applied - as of the balance sheet date - a discount to the "Other Price Risks" trading book in the form of a "market value adjustment" totaling TEUR 1,867 (12/31/2018: TEUR 908), which was calculated using 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.

The **equity investments** are recognized at their cost of acquisition or, in some cases, at the lower fair value.

The balance sheet items, **trust assets and trust liabilities**, reflect assets and liabilities that CGME holds in its own name but for the accounts of third-parties. These items are valued at amortized costs or the settlement amount.

The **intangible assets**, which were all acquired in exchange for consideration, and the **tangible assets** are valued at their cost of acquisition and are generally written-down on a straight-line basis in accordance with the expected standard useful life of those assets. Any permanent impairment that may exist is taken into account through an unscheduled write-down. When the branches in Paris, Milan and Madrid were contributed as capital as part of the CGME registered share capital increase (capital increase against contribution-in-kind), the customer relationships that existed at the branches were also transferred and those relationships were attributed a goodwill value, which is being amortized on a scheduled basis *pro rata temporis* over a 10-year period.

The **other assets** are shown on the balance sheet at their nominal value. In the event of any impairment, these assets are subject to a nonscheduled write-down to the stock exchange or stock market price or to the lower fair value in accordance with §253 (4) HGB.

Depending on their net acquisition costs, **low-value economic assets** (*geringwertige Wirtschaftsgüter*) are written-off in full in the year in which they are acquired.

The **accrual and deferral items** on the asset and liability side of the balance sheet include payments that are attributable the bottom-line in future fiscal years.

Liabilities owed to banks and to clients were stated at their settlement amount plus accrued interest.

Provisions for pension and similar obligations 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 (employment tenure), for which pension commitments have been made, 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.

In order to calculate the present cash value, a discount rate of 2.71% based on a 15-year term was used. Pursuant to § 253 (2) sentence 1 HGB, the average market rate of the previous ten fiscal years was used as the discount rate for calculating the present cash value in the recently completed fiscal year. With respect to the resulting difference, we refer to our comments on page 16 of these notes regarding the total sum of the amounts barred from payout distribution. Future salary and wage increases were estimated at 2.5%, and at the same time, a 1.6% adjustment of the current annuities was assumed.

In general, the biometric data was derived from the Dr. Klaus Heubeck 2018 G mortality tables. In connection with accounting for the accruals for pensions and similar obligations, assets that serve only to settle the debts owed under the pension obligations or similar long-term obligations in accordance with § 340a (1) in combination with § 246 (2) sentence 2 HGB were offset against them.

In calculating the **accruals**, all recognizable risks as well as uncertain liabilities were taken into account on the basis of a prudent business judgment (*vorsichtiger kaufmännischer Beurteilung*). The settlement amount of **other accruals** was calculated by factoring in future price and cost increases. Accruals or provisions with a residual term to maturity of more than one year were discounted at the average market interest rate over the past seven fiscal years as such rate was calculated by the Deutsche Bundesbank for matching maturities. If recourse agreements existed, they were taken into account in calculating the accrual (net result shown).

Accruals were set up in the balance sheet for **contracts and pending legal disputes** that could have an adverse effect on the financial condition.

Futures and other derivative transactions involving currencies, indexes, stocks, raw materials and precious metals were valued at the rates and interest rates on the balance sheet date and shown in the trading portfolio.

Currency receivables and liabilities were valued in accordance with § 340a (1) in combination with § 256a HGB at the ECB average rates applicable on the balance sheet date. To the extent that the ECB does not publish any average rates, the currency positions are recognized at market rates. Spot exchange transactions or currency futures, which were not yet cleared, were valued at the average spot or futures rates of the balance sheet date and applicable to their maturity. The treatment of expenses and income from the currency translation satisfies the requirements under § 340h HGB. The result of the currency translation

is included in the income statement under the item "net income from financial trading operations".

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.

IV. Notes to Individual Items on the Balance Sheet

With regard to the notes set forth below, we expressly reference the limited informative value of the comparative figures as of the previous balance sheet date (see also explanations in section II. of these Notes).

1. Assets based on terms to maturity

Receivables from banks

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
Other receivables with a term to maturity of		
up to three months	322,581	130,752
more than three months and up to one year	0	0
more than one year and up to five years and more than five years	0	0
Total	322,581	130,752

Receivables from clients

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
with a term to maturity of		
up to three months	5,406,732	785,695
more than three months and up to one year	0	0
more than one year and up to five years	0	0
more than five years	0	0
indefinite term	0	0
Total	5,406,732	785,695

Compared to the balance sheet date of the recently completed short fiscal year, **receivables from clients** rose by EUR 4,621 million to EUR 5,407 million. Of that sum, an amount totaling approximately EUR 4,020 million may be attributed to, *inter alia*, the broker/dealer business that CGME acquired in its own name and for its own account at the beginning of 2019 and that it settles directly through the futures exchanges "European Exchange" (EUREX; Dec 31, 2019: EUR 3,528 million) and "London Clearing House" ("LCH"; Dec 31, 2019: EUR 492 million) in connection with back-to-back transactions.

The balance sheet item also includes receivables generated from repo transactions (reverse repos) in the amount of EUR 832 million (prior year: EUR 680 million).

Accordingly, the **liabilities owed to clients** as of December 31, 2019 jumped from EUR 330 million to EUR 4,293 million.

Liabilities owed to banks

The liabilities are owed mainly to affiliated enterprises and exhibit the following maturities:

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
with an agreed term or notice period of up to three months	76,278	12,301
more than three months and up to one year	0	0
more than one year and up to five years	0	0
more than five years	0	0
Total	76,278	12,301

Liabilities owed to clients

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
with an agreed term or notice period of up to three months	3,839,110	330,071
more than three months and up to one year	0	0
more than one year and up to five years	0	0
more than five years	453,985	0
Total	4,293,095	330,071

This balance sheet item contains a total of EUR 308 million (12/31/2018: EUR 269 million) in liabilities for which trading portfolio securities were deposited as collateral.

2. Receivables from, and liabilities owed to, affiliated enterprises

The individual balance sheet items include receivables from, and liabilities to, affiliated enterprises as set forth below:

Receivables from affiliated enterprises

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
Receivables from banks	291,301	130,196
Receivables from clients	2,225,787	753,563
Other receivables	35,756	155,118
Total	2,552,844	1,038,877

Liabilities owed to affiliated enterprises

Composition:

	12/31/2019 TEUR	12/31/2018 TEUR
Liabilities owed to banks	63,776	10,177
Liabilities owed to clients	3,032,358	305,294
Other liabilities	661,528	644
Total	3,757,662	316,115

3. Trading portfolio assets and liabilities

The **trading portfolio assets and liabilities** consist of the following:

Trading Portfolio				
	asset	liability	asset	liability
	Book value 12/31/2019 (TEUR)	Book value 12/31/2019 (TEUR)	Book value 12/31/2018 (TEUR)	Book value 12/31/2018 (TEUR)
1. Derivative financial instruments				
• FX-induced trades				
OTC-currency options	1,280,652	1,275,786	19	-
Currency warrants own issues	166,589	169,935	47,799	50,037
Foreign exchange spot transactions	102,497	103,299	-	-
• Stock warrants own issues	3,133,918	3,327,242	2,041,447	2,127,020
• OTC stocks & index options	131,563	132,712	131	-
• Stock & index warrants issued by third parties	-	-	1,659	-
• Index warrants own issues	1,669,404	1,683,193	1,486,256	1,500,152
• Exchange-traded stock & index options	145,299	53,088	71,824	70,828
• OTC interest rate options	1,758,272	1,755,424	-	-
• Commodity warrants own issues	41,313	42,175	16,200	16,635
• Other	3,637	3,637	-	-
Carryover	8,433,144	8,546,491	3,665,335	3,764,672

Trading Portfolio				
	asset	liability	asset	liability
	Book value 12/31/2019 (TEUR)	Book value 12/31/2019 (TEUR)	Book value 12/31/2018 (TEUR)	Book value 12/31/2018 (TEUR)
Carryover	8,433,144	8,546,491	3,665,335	3,764,672
2. Bonds and other fixed income securities	183,376	462,165	676,832	883,726
<i>of which marketable (börsenfähig)</i>	183,376	462,165	676,832	883,726
<i>of which exchange-traded</i>	183,376	462,165	676,832	883,726
3. Stocks and other variable yield securities	322,884	71,135	274,938	29,805
<i>of which marketable</i>	322,884	71,135	274,938	29,805
<i>of which exchange-traded</i>	322,884	71,135	274,938	29,805
4. Market-Value-Adjustment	-	1,867	-	908
5. Value at Risk	- 6,779	-	- 1,701	-
Total	8,932,625	9,081,658	4,615,404	4,679,111

4. Trust assets and trust liabilities

Since the commencement of fiscal year 2019, CGME has been providing to its clients as part of its business services connected with derivatives; services that had been previously provided by its sole shareholder, "CGML". Under so-called "**FCC Business**" (which stands for "Futures, Clearing and Collateral Services"), the CGME investor services business encompasses, *inter alia*, the trading of derivative financial instruments in its own name but for the account of the clients and the related receipt and forwarding of client funds, which must be deposited by the client to serve as collateral to secure the trading in futures. The contractual arrangements that were thereby made stipulate a certain segregation of client assets from the CGME assets in an effort to specifically shield client assets from any third-party enforcement action that could be initiated in the event that the "asset-managing" CGME becomes the subject of an insolvency proceeding. The client assets are therefore held in trust. Accordingly, as of the end of fiscal year 2019, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 507 million.

5. Movement of fixed assets

The fixed assets (intangible fixed assets and tangible fixed assets) developed as follows in the Fiscal Year:

	Original Acquisition costs			Accumulated depreciation, amortization and write downs					Book values	
	Additions (Disposals)			Additions (Disposals)					12/31/2019	12/31/2018
	01/01/2019	Re-posting	12/31/2019	01/01/2019	Write-downs	Write-ups	Re-posting	12/31/2019		
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	
Intangible assets acquired for consideration		91,000					0			
	5,399	0	96,028	5,237	7,628	0	0	12,494	83,534	162
		-371					-371			
Office and plant equipment		1,073					0			
	9,850	559	10,665	8,985	464	0	475	9,286	1,379	865
		301					312			
Leasehold improvements		332					0			
	15,587	0	15,989	14,398	347	0	0	14,804	1,185	1,189
		70					59			
Construction in progress		46					0			
	184	63	167	7	0	0	7	0	167	177
		0					0			
Equity investments		0					0			
	1,136	0	1,136	0	0	0	0	0	1,136	1,136
		0					0			
Total	32,156	622	123,985	28,627	8,439	0	482	36,584	87,401	3,529
		92,451					0			
		0					0			

The intangible and tangible assets (office and plant equipment as well as leasehold improvements), as reported as of the end of the Fiscal Year, are used solely by CGME itself. Depreciation, amortization and write-downs relating to the additions made during the Fiscal Year totaled TEUR 4 for tangible assets and TEUR 7,583 for goodwill.

When the branches in Paris, Milan and Madrid were contributed as capital, the customer relationships that existed at the branches were also transferred and were recognized as **goodwill**, which was originally valued at EUR 91 million and then amortized on a scheduled basis over a period of 10 years.

The **equity investments** that are recognized on the balance sheet and are unchanged from the Previous Short Fiscal Year are not marketable and relate to the following companies:

Equity investments	12/31/2019 (TEUR)	12/31/2018 (TEUR)
True-Sale International GmbH, Frankfurt	150	150
Börse Stuttgart CATS GmbH, Stuttgart	986	986
Total	1,136	1,136

6. Other assets

The item "Other Assets" (TEUR 1,060,668; 12/31/2018: TEUR 159,979) includes mostly receivables from variation/initial margins (TEUR 1,037,404; 12/31/2018: TEUR 140,649) as well as tax refund claims (TEUR 11,637; 12/31/2018: TEUR 12,615).

7. Prepaid and deferred items

This balance sheet item (TEUR 655) relates to prepaid fees.

8. Other liabilities

The item "Other Liabilities" (TEUR 970,490; 12/31/2018: TEUR 10,353) involves mainly liabilities from variation/initial margins (TEUR 933,722; 12/31/2018: TEUR 0), liabilities owed to employees from deferred cash bonuses in the amount of TEUR 14,703 (12/31/2018: TEUR 5,198) and liabilities from taxes in the amount of TEUR 7,846 (12/31/2018: TEUR 1,867).

9. Accruals for pensions and similar obligations

To hedge third-party claims from pension and similar commitments, assets in the form of liquid funds and units or shares in securities funds (*Wertpapiersondervermögen*) are available as of the balance sheet date. The funds are managed exclusively by outside asset managers who invest in exchange-traded securities in accordance with the relevant investment guidelines. In the event CGME enters insolvency, CGME creditors will be denied access to those assets that are transferred to the trustees.

In accordance with § 246 (2) sentence 2 in combination with § 340a (1) HGB, the assets used for hedging purposes will be set off at their fair value against the obligations valued at the settlement amount. The fair values of the relevant funds' assets are documented as of the balance sheet date in a schedule (*Aufstellung*) that is provided by the administrator.

The contractual hedge of the **business pension obligations** was carried out on the basis of a contractual trust arrangement (CTA) with the trustee, Towers Watson Treuhand e.V.

To hedge the pension commitments, units that are held in the "Rose" fund (acquisition costs of TEUR 104,782) and were purchased or contractually promised by CGME, are made available and, pursuant to § 246 (2) sentence 2 in combination with § 340a (1) HGB, were netted at their fair value (TEUR 191,349) against the settlement amount from the pension obligations (TEUR 198,768). The settlement amount exceeding the plan assets as of the balance sheet date and equaling TEUR 7,419 (12/31/2018: TEUR 9,369) is recognized on the balance sheet under the item "Accruals for pensions and similar obligations".

As of December 31, 2019, **pension obligations under the "PAS", "PRS" and "Deferred Compensation" plans** also exist and arose from **bonus conversions**. The obligations under the "PAS" and "Deferred Compensation" plans are linked to the fair value of the relevant fund serving as the plan assets.

Factoring in the existing pension plan set-offs (netting the assets and liabilities) carried out at fair value pursuant to § 246 (2) sentence 2 HGB, the **balance sheet components** of accruals for pensions and similar obligations consist of the following:

*) Acquisition costs TEUR 104,782

**) Acquisition costs TEUR 1,553

***) Acquisition costs TEUR 7,338

	12/31/2019		12/31/2018	
	TEUR	TEUR	TEUR	TEUR
I. General pension obligations				
Settlement amount	201,115		183,689	
less				
plan assets Rose*)	-191,349	9,766	-174,320	9,369
II. Pension obligations PAS**)				
Settlement amount	9,031		7,618	
less				
plan assets	- 9,031	-	- 7,618	-
III. Pension obligations deferred compensation***)				
Settlement amount	8,483		9,152	
less				
plan assets	-8,483	-	-9,152	-
IV. Pension obligations PRS ****)				
Settlement amount	54,764		56,082	
less				
plan assets	-45,197	9,567	-45,841	10,241
Excess of plan assets over post-employment benefit liabilities		-		-
Accruals for pension and similar obligations		19,333		19,610

****) Acquisition costs TEUR 35,795

The effects on income arising from the accounting of the accruals for pension and similar obligations and from netting assets, which are attributable to plan assets, against the respective fair value, are shown in the table below:

	1/1/2019 - 12/31/2019 (TEUR)		4/28/2018 - 12/31/2018 (TEUR)	
I. General pension obligations				
- Expense (-)/income based on interest accrued on pension obligations	- 18,665		- 12,178	
- Change in the fair value of the plan assets	17,029		- 4,213	
- Expense for standard allocation	- 6,727	-8,363	- 4,312	-20,703
II. Pension obligations PAS				
- Expense (-)/income based on interest accrued on pension obligations	2,227		1,856	
- Change in the fair value of the plan assets	- 2,227	-	- 1,856	-
III. Pension obligations deferred compensation				
- Expense (-)/income based on interest accrued on pension obligations	5		40	
- Change in the fair value of the plan assets	- 5	-	- 40	-
IV. Pension obligations PRS				
- Expense (-)/income based on interest accrued on pension obligations	- 4,007		- 2,485	
- Change in the fair value of the plan assets	1,518		460	
- Expense for standard allocation	1,496	-993	150	-1,875
Total		-9,356		-22,578

The total sum of the amounts that are barred from payout distribution developed as follows compared to the previous balance sheet date:

Reason for barring payout distribution	12/31/2019 (TEUR)	12/31/2018 (TEUR)
Capitalization of the plan assets in connection with pension obligations at fair value (12/31/2019; TEUR 254,061; 12/31/2018: TEUR 236,931) pursuant to § 268 (8) sentence 3 in combination with § 340a (1) HGB	104,593	83,813
Differential amount in connection with the differentiated interest applied to pension accruals pursuant to § 253 (6) in combination with § 340a (1) HGB	25,333	27,525
Total	129,926	111,338

The differential amount pursuant to § 253 (6) in combination with § 340a (1) HGB is calculated as follows:

	10-year average interest rate and term to maturity of 15 years		7-year average interest rate and term to maturity of 15 years	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Average interest rate (%)	2.71	3.21	1.97	2.32
Accrual for pensions and similar obligations (TEUR)	231,311	229,443	256,644	256,968
Differential amount (TEUR)				
	12/31/2019		12/31/2018	
	25,333		27,525	

As of the balance sheet date, the freely available provisions (reserves) exceed the total sum of the amounts that are barred from payout distribution.

10. Other accruals

In comparison to the prior year, the item "Other Accruals" consists of the following:

Accruals for	12/31/2019 TEUR	12/31/2018 TEUR
Bonus payments to employees	57,158	19,190
Investment income withholding tax for past fiscal years	0	9,308
Early retirement obligations	165	114
Personnel costs	7,519	2,125
Audit costs	4,829	3,519
Outstanding vacation	5,505	840
Outstanding invoices	7,376	5,082
Total	82,552	40,188

In calculating the provisions set aside for early retirement obligations (TEUR 165; 12/31/2018: TEUR 124), claims arising from pledged reinsurance policies and totaling TEUR 1,011 (12/31/2018: TEUR 1,470) were reconciled against the settlement amount of TEUR 1,176 (12/31/2018: TEUR 1,594).

In the recently completed Fiscal Year, expenses in the amount of TEUR 17 (4/28 - 12/31/2018: TEUR 30) were generated from interest accrued on the obligations, and income totaling TEUR 16 (4/28 - 12/31/2018: expenses totaling TEUR 13) was yielded from a change in the fair value of the plan assets income. In connection with the standard allocation, the expense was TEUR 173 (4/28 - 12/31/2018: TEUR 0).

11. Funds for general bank risks within the meaning of § 340g (4) HGB

The disbursement ban shown under the balance sheet item "Special Items for General Bank Risk" pursuant to § 340e (4) HGB was TEUR 19,685 as of the end of the fiscal year.

12. Subscribed capital

The **subscribed capital** totaling TEUR 242,393 (12/31/2018: TEUR 210,570) is divided into 9,481,592 no par shares (12/31/2018: 8,236,778). The sole shareholder of CGME is Citigroup Global Markets Ltd., London/Great Britain, (abbreviated herein as "CGML"), whose financial statements are included in the consolidated financial statements of Citigroup Inc. New York/USA.

The increase in the subscribed capital by TEUR 31,823 to TEUR 242,393 was caused by a capital increase against a contribution-in-kind when the assets and liabilities of the branches in Paris, Madrid and Milan were contributed as capital.

13. Capital reserves

The TEUR 630,524 increase in capital reserves to TEUR 949,491 (12/31/2018: TEUR 318,967) resulted from the shareholder's additional payments into the capital accounts pursuant to § 272 (2) no. 4 HGB in an amount totaling TEUR 624,992 and from the premium paid in connection with in-kind capital contributions (TEUR 66,009) as well as a withdrawal for purposes of covering the annual net loss for 2018 in the amount of TEUR 45,740 as well as the unappropriated balance sheet loss as of December 31, 2018 in the amount of TEUR 14,737.

14. Assets and liabilities denominated in foreign currencies

The total amount of assets denominated in a foreign currency is TEUR 2,310,794 (12/31/2018: TEUR 37,108); the liabilities contain foreign currency amounts totaling TEUR 1,979,251 (12/31/2018: TEUR 21,024).

V. Notes to Individual Items on the Income Statement

1. Interest result

The interest result totaling TEUR - 10,140 (4/28 - 12/31/2018: TEUR - 4,449) can be attributed primarily to the interest expenses owed to Citicorp LLC, USA, (TEUR 14,012).

2. Commission income

The commission income is derived from the following components:

Type of fee	1/1/- 12/31/2019 TEUR	4/28/- 12/31/2018 TEUR
Commissions from affiliated enterprises	129,013	71,516
Commissions on foreign currency products	14,467	9,700
Commissions from M&A/Advisory	68,155	13,961
Miscellaneous fees	171	24
Internal group cost-sharing arrangements	- 34,507	- 7,430
Total	177,299	87,771

3. Net income from financial trading operations

The net income from financial trading operations (TEUR 29,030; 4/28 – 12/31/2018: TEUR 25,037) is composed of, among other things, the negative result generated from the "Equities and Index Risk" trading book (TEUR 56,759; 4/28 – 12/31/2018: positive result TEUR 82,177) as well as the positive result generated from the "Currency Risk" trading book (TEUR 90,867; 4/28 – 12/31/2018: negative result of TEUR 57,636), which consists mostly of the results from the warrants traded on the price of gold and on the US Dollar (as the underlying assets). The net income from financial trading operations includes currency translation income in the amount of TEUR 73,774 and currency translation expenses in the amount of TEUR 87,213.

4. Other operating income

The item encompasses primarily income from passing through expenses to affiliated enterprises in the amount of TEUR 17,409 (4/28 – 12/31/2018: TEUR 3,807), income from passing through fees charged to the companies by the exchanges (TEUR 10,432; 4/28 – 12/31/2018: TEUR 0) and, for the first time, income from tax refund claims totaling TEUR 6,372 and held against clients in connection with forwarded dividends.

5. Other administrative expenses

The item (TEUR 99,882; 4/28 – 12/31/2018: TEUR 55,591) consists of, among other things, the item "processing costs Citigroup" totaling TEUR 1,629 (4/28 – 12/31/2018: TEUR 3,990), expenses involving "Citi Chargeouts" that total TEUR 8,963 (4/28 – 12/31/2018: TEUR 12,869), custody fees totaling TEUR 9,118 (4/28 – 12/31/2018: TEUR 4,658), lease expenses equaling TEUR 5,953 (4/28 – 12/31/2018: TEUR 1,925) and costs for listing derivative

products on exchanges in the amount of TEUR 13,325 (4/28 – 12/31/2018: TEUR 1,215), costs for client advertising in the amount of TEUR 4,210 (4/28 – 12/31/2018: TEUR 1,926), dues owed to professional associations in the amount of TEUR 3,560 (4/28 – 12/31/2018: TEUR 1,435) and travel costs of TEUR 6,993 (4/28 – 12/31/2018: TEUR 2,067).

6. Other operating expenses

The item includes primarily expenses and income from valuing the pension plan obligations and the corresponding pension assets (netting) totaling TEUR 1,636 for Rose (4/28 – 12/31/2018: TEUR 16,391 expenses from valuing the pension plan assets and the pension obligations) and totaling TEUR 2,489 for PRS (4/28 – 12/31/2018: TEUR 1,875).

7. Income and expenses related to another period

Other operating income includes income that is related to another accounting period and is based on turnover tax refunds resulting from the tax audit (TEUR 1,948) as well as income from tax refund claims against clients in connection with transferred dividends (TEUR 6,372).

Income tax back-payments totalling TEUR 1,213 have been booked as expenses related to another period under the item "Taxes on income and earnings".

VI. Miscellaneous Notes

1. Derivative financial instruments

Types of derivatives transactions

As of the end of the recently completed Fiscal Year, the derivatives business of the bank included the following transactions allocated to the respective trading books:

- **“Foreign Currency Risk” trading book**
 - OTC currency option transactions and swaps
 - Currency warrants
 - Foreign exchange spot transactions
- **“Equities and Index Risk” trading book**
 - Equities and other variable-yield securities in the trading portfolio
 - OTC index & stock options
 - Equities and index warrants
 - Exchange-traded futures and options transactions on equities and stock indexes
 - Index certificates and equity certificates
- **“Interest Risks” trading book**
 - OTC interest rate options and swaps
 - Exchange-traded interest rate futures
- **Other trading book**
 - Exchange-traded futures transactions
 - Warrants on commodities and precious metals
 - OTC options on commodities and precious metals

Trade volumes of derivatives and futures transactions

The total volume of derivatives transactions based on the terms to maturity as of December 31, 2019 is set forth below:

- **“Foreign Currency Risks” trading book**

	< 1 year nominal amount	1-5 years nominal amount	> 5 years nominal amount	Total nominal amount	Market value
	EUR in millions	EUR in millions	EUR in millions	EUR in millions	EUR in millions
OTC-currency options					
Bought	35,982	7,411	3,676	47,069	1,280.7
Sold	12,532	7,422	3,626	23,580	- 1,275,8
Currency warrants own issues					
Bought	215	-	1,727	1,942	166.6
Sold	262	-	1,754	2,016	- 169.9
Exchange-traded currency futures					
Bought	10,228	58	-	10,286	102.5
Sold	10,228	58	-	10,286	- 103.3

The **“Foreign Currency Risks”** trading book consists primarily of options on the price of gold and on the US Dollar. The cash flow anticipated from the derivatives depends mainly on how the relevant underlying performs. As of the balance sheet date, the book contained exclusively European options (exercise possible only at the end of the term).

- “Equities and Index Risks” trading book

Type of transaction	< 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 issued by third parties					
Bought	-	-	-	-	-
Equity warrants own issues					
Bought	5,411	706	4,770	10,887	3,133,9
Sold	7,039	1,333	4,979	13,351	- 3,327,2
OTC-stock options					
Bought	2,432	1,324	518	4,274	125,7
Sold	1,999	1,352	517	3,868	- 126,9
OTC-index options					
Bought	0	0	-	0	5,8
Sold	0	0	-	0	- 5,8
Index warrants own issues					
Bought	3,496	6	6,337	9,839	1,669,4
Sold	3,854	18	6,417	10,289	- 1,683,2
Exchange-traded index futures					
Bought	19	-	-	19	-
Sold	69	-	-	69	0.3
Exchange-traded index options					
Bought	203	11	-	214	3.5
Sold	108	14	-	122	-1.7
Exchange-traded stock options					
Bought	1,036	453	-	1,489	141.8
Sold	303	25	-	328	- 51.4
Index and equity certificates own issues					
Bought	135	20	28	183	183.4
Sold	372	55	28	455	- 462.2

The “**Other Price Risks**” trading book includes primarily 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 throughout the entire term).

- **Interest rate transactions**

	< 1 year	1-5 years	> 5 years	Total	Market
	nominal	nominal	nominal	nominal	value
	amount	amount	amount	amount	
	EUR in	EUR in	EUR in	EUR in	EUR in
	millions	millions	millions	millions	millions
OTC interest options					
Bought	10,665	26,734	16,713	54,112	1,758.3
Sold	10,670	26,782	16,802	54,254	-1,755.4
Exchange-traded interest futures					
Bought	13	-	-	13	-

- **Other trading operations**

	< 1 year	1-5 years	> 5 years	Total	Market
	nominal	nominal	nominal	nominal	value
	amount	amount	amount	amount	
	EUR in	EUR in	EUR in	EUR in	EUR in
	millions	millions	millions	millions	millions
OTC options on commodities and precious metals					
Bought	18	64	-	82	3.6
Sold	18	64	-	82	- 3.6
Warrants on commodities and precious metals own issues					
Bought	12	-	163	175	41.3
Sold	14	-	168	182	-42.2
	< 1 year	1-5 years	> 5 years	Total	Market
	nominal	nominal	nominal	nominal	value
	amount	amount	amount	amount	
	EUR in	EUR in	EUR in	EUR in	EUR in
	millions	millions	millions	millions	millions

Exchange-traded futures on commodities and precious metals					
Bought	23	-	-	23	0.6
Sold	2	-	-	2	-

The “**Other Trading Operations**” trading book includes primarily options on the price of oil, gold 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 only European options (exercise possible only at the end of the term).

Counterparty risk in derivatives trading

As of December 31, 2019, the credit equivalents under the CRR (Capital Requirements Regulation), 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	Central Settlement
Product group	Credit equivalent (in TEUR)			
Trading book “currency risks” and trading book “other price risks”	822,898	1,318,251	10,603	231,270
Other trading operations	-	-	-	-
Total	822,898	1,318,251	10,603	231,270

Non-settled forward transactions

In connection with the options transactions, CGME books the premiums on the trade date. On the balance sheet date, this practice results in obligations under futures transactions, which have not yet settled, being reported in the trade balance sheet for currency risks, equity and index risks and other risks.

2. Recommendation for the use of the unappropriated balance sheet profit

The Executive Board recommends compensating the annual net loss totaling EUR 45,738,852.95 and shown as of December 31, 2019 as well as the unappropriated balance sheet loss totaling EUR 14,736,882.81 and shown as of December 31, 2018 by withdrawing funds from capital reserves in the amount of EUR 60,475,735.76.

3. Other financial obligations

Other financial obligations take the form of rental and lease obligations, which equal EUR 6.4 million per year through the end of the lease term for the premises or other leased property.

4. Fee for the annual accounts auditor

The total fees charged by the annual accounts auditor for the Fiscal Year encompass the annual accounts auditing services (TEUR 1,161), expenditures incurred (TEUR 97), other certification work (TEUR 250), tax advisory services (TEUR 0) and other consulting services (TEUR 70).

5. Information about the business relations with related enterprises and parties

The companies identified as **related enterprises** were the sole shareholder, CGML, as well as all of its own subsidiaries and affiliated enterprises of the Citigroup Group.

The individuals classified as key management personnel (Executive Board members and Supervisory Board members) of the Citigroup Group are viewed as **related persons**.

The following financial transactions are executed with related enterprises and persons (exclusively group companies)¹:

- | |
|--|
| <ul style="list-style-type: none">• Money market transactions, investment and borrowing of funds |
|--|

¹ Please also see the Executive Board report on relations with affiliated enterprises pursuant to §§ 312 *et seq.* AktG for the fiscal year from January 1 through December 31, 2019.

<ul style="list-style-type: none"> • Futures transactions involving stocks, currencies, indexes, commodities and precious metals
<ul style="list-style-type: none"> • Option transactions involving stocks, currencies, indexes, raw materials and precious metals
<ul style="list-style-type: none"> • Securities transactions (reverse repos and repos)
<ul style="list-style-type: none"> • Purchase/performance of intra-group services

All transactions were concluded on arm's length terms and conditions.

6. Information about significant transactions following the balance sheet date

In March 2020, the sole shareholder decided to make an additional payment pursuant to § 272 (2) no. 4 HGB into the equity capital of CGME in the amount of EUR 300 million.

Furthermore, there are no known significant transactions of special importance (*keine wesentlichen Vorgänge von besonderer Bedeutung*) that occurred after the end of the Fiscal Year and that have not yet been included in either the income statement or the balance sheet.

7. Group affiliation

CGME is included in the group of consolidated companies of CGML, whose financial statements are, in turn, included in the consolidated financial statements of Citigroup Inc., New York, 388 Greenwich Street. The consolidated financial statements can be viewed at the website, www.citigroup.com.

8. Branches

Effective as of March 1, 2019 and as part of a registered share capital increase, the sole shareholder of CGME transferred its branches in Paris, Milan and Madrid to CGME as a contribution-in-kind. In addition, a branch is still maintained in London.

9. Governing bodies (officers and directors) of the Company

The CGME **Executive Board** consists of the following members:

- Mr. Stefan Wintels, Frankfurt am Main, COO, Bank Director, Chairman, (term ending 3/31/2020)
- Mrs. Kristine Braden, Frankfurt am Main, CEO, Bank Director, (term commencing 4/1/2020)
- Dr. Silvia Carpitella, Milan/Italy, CFO, Bank Director, (term ending 3/31/2019),
- Mr. Thomas Falk, Hochheim am Main, CRO, Bank Director, (term ending 11/30/2019),
- Mr. Stefan Hafke, Kelkheim, (Corporate/Commercial Banking), Bank Director,
- Mr. Andreas Hamm, Dreieich, CTO, Bank Director,
- Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, (Legal), Bank Director,
- Mr. Ingo Mandt, Frankfurt am Main, CRO, Bank Director, (term commencing 11/18/2019),
- Mr. Oliver Russmann, Bad Vilbel, CFO, Bank Director, (term commencing 4/1/2019),
- Mr. Christian Spieler, Bad Homburg, (Treasury/Markets) Bank Director.

The **Supervisory Board** consists of the following members:

- Mr. Hans W. Reich, Kronberg, Bank Director (retired), Chairman,
- Mr. Bradley Gans, London, Bank Director, Citigroup Global Markets Limited, London, (term ending 8/31/2019),
- Mr. Leo Arduini, London, Bank Director, Citigroup Global Markets Limited, London
- Mr. James Bardrick, London, CEO, Citigroup Global Markets Limited, London
- Mr. Tim Färber, Kelsterbach, Bank Employee, Employee Representative
- Mr. Dirk Heß, Friedrichsdorf, Bank Employee, Employee Representative, (term commencing 10/19/2019)
- Mr. Sascha Schmidt, Frankfurt am Main, Bank Employee, Employee Representative, (term ending 10/18/2019)

10. Board member remuneration

In the Fiscal Year, total remuneration for members of the Executive Board was TEUR 7,414. As of the end of the Fiscal Year, pension obligations totaled TEUR 4,184.

In the reporting year, total remuneration for the former members of management bodies and their survivors totaled TEUR 1,259. Funds set aside for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled TEUR 22,420.

Due to the stock-based remuneration, approximately 27.6 thousand shares in the amount of approx. TUSD 1,724 were granted as variable compensation.

In the recently completed Fiscal Year, expenses for supervisory board compensation benefits in the amount of TEUR 38 were incurred. CGME is exercising its elective right under § 286 (4) HGB regarding disclosures about provisions (accrued liabilities) for current pensions and pension expectancies (*Anwartschaften*) of the Supervisory Board members under § 285 (9b) HGB.

As consideration for their work, the members of the advisory board (*Beirat*) received TEUR 605 in remuneration in the fiscal year.

As of the end of the year, there were no outstanding loans to members of the CGME Executive Board and Supervisory Board.

11. Employees

During the Fiscal Year, CGME employed an average of 409 persons. Of that amount, 390 were full-time employees and 19 persons were part-time employees. No trainees were on staff.

The employees within CGME and its branches are distributed as follows:

	12/31/2019
Citigroup Global Markets Europe AG	212
Citigroup Global Markets Europe AG France Branch	94
Citigroup Global Markets Europe AG Spain Branch	50
Citigroup Global Markets Europe AG Italy Branch	45
Citigroup Global Markets Europe AG UK Branch	8
Total	409

Frankfurt am Main, March 31, 2020

Citigroup Global Markets Europe AG

Kristine Braden (CEO)

Stefan Hafke

Andreas Hamm

Dr. Jasmin Kölbl-Vogt

Ingo Mandt

Oliver Russmann

Christian Spieler

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To Citigroup Global Markets Europe AG, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of Citigroup Global Markets Europe AG, Frankfurt am Main, which comprise the balance sheet as at December 31, 2019, the statement of profit and loss, the statement of cash flows and the statement of changes in equity for the financial year from January 1, 2019 to December 31, 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Citigroup Global Markets Europe AG for the financial year from January 1, 2019 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Corporate Governance Statement pursuant to § 289f of the German Commercial Code" section.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2019 and of its financial performance for the financial year from January 1 to December 31, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the above mentioned Corporate Governance Statement.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Determination of fair values based on valuation models for the valuation of the trading portfolios

Please refer to the notes, Section “III. Accounting and Valuation Methods” for more information regarding the accounting and valuation policies applied by CGME. Please refer to the notes, subsection “3. Trading portfolio assets and liabilities” regarding the composition of the derivatives transactions in the trading portfolio on the assets and liabilities side of the balance sheet.

THE RISK FOR THE FINANCIAL STATEMENTS

The transactions of the trading portfolio are measured at fair value and relate to the issue of warrants and certificates, the associated hedging transactions (i.e., OTC-traded and exchange-traded derivatives) as well as any buybacks arising from market maker activity. Furthermore, the trading portfolio also includes derivative financial instruments as well as stocks and other variable-yield securities. At 55 % of total assets and 56 % of total equity and liabilities respectively (EUR 8,933 million and EUR 9,082 million, respectively, in absolute amounts), the balance sheet items related to the trading portfolio are the largest line items in the annual financial statements of Citigroup Global Markets Europe AG.

In some cases, market prices are not observable for warrants, certificates, and OTC derivatives. The fair values are to be determined on the basis of accepted valuation methods. The selection of the valuation models as well as their parameters are subject to discretionary judgments. The risk for the financial statements in this regard is, above all, that no appropriate valuation models

and/or valuation parameters are used to calculate fair values and that the trading portfolio as well as net trading income are therefore not measured or calculated in compliance with the accounting requirements.

OUR APPROACH IN THE AUDIT

Based on our risk assessment and the assessment of misstatement risk, we have based our audit opinion on both control-based audit procedures as well as substantive audit procedures.

Accordingly, we performed the following audit work, among others:

In an initial step, we gained a comprehensive overview of the changes in the financial instruments of the trading portfolio, the associated risks, and the internal control system with respect to the valuation of the financial instruments of the trading portfolio.

For the assessment of the appropriateness of the internal control system with respect to the valuation of financial instruments for which no market prices can be observed, we conducted surveys and inspected the relevant documents. After performing this test of design and implementation (*Aufbauprüfung*), we tested the effectiveness of the established controls with the help of tests of operating effectiveness (*Funktionsprüfungen*).

In particular, the control tests covered whether the models were validated independently of trading activity both when they were introduced as well as regularly or as needed. As part of a sample, we audited whether the validations were conducted and documented properly and whether the implemented valuation model together with the influent valuation parameters are suitable and reasonable for the respective product. Furthermore, we audited the control of the trade transaction valuation through a trade-neutral department using parameters procured from third parties.

Moreover, our valuation specialists also carried out a subsequent valuation for a particular and deliberate selection of products under materiality and risk considerations and compared the results with the values determined by the Bank. With respect to this subsequent valuation, observable pricing and market information was used to the extent possible.

OUR CONCLUSIONS

The valuation principles that are used to calculate the fair values of the trading portfolios, for which no prices can be observed on the market, are proper and in compliance with the valuation principles applied. The Company's valuation parameters underlying the valuation are as a whole reasonable.

Invoicing of intra-group services

With regard to the accounting and valuation methods applied by Citigroup Global Markets Europe AG, we refer to Section 3 of the notes.

THE RISK FOR THE FINANCIAL STATEMENTS

Of the commission income totaling EUR 211.8 million, EUR 129 million is attributable to brokerage commissions of affiliated enterprises. The commission expenses equaled EUR 34.5 million and included primarily amounts from the intra-group invoicing of transfer pricing. The other operating income totaled EUR 40.3 million and included income from passing through expenses to affiliated enterprises in the amount of EUR 17 million.

As a result of the high level of global job-sharing within Citigroup, great importance has been ascribed to intra-group service relationships both with respect to the provision of the original bank services as well as services involving support functions. The invoicing is performed *vis-à-vis* all Citigroup entities, although the billing process, the number of transactions requiring billing and the calculation of the billing amount could be very different depending on the work or service supplied. The risk for the financial statements in this regard is that service relationships with other Citigroup entities could be incorrectly recognized and, consequently, the corresponding income and expenses might be presented in the wrong amounts.

OUR APPROACH IN THE AUDIT

Based on our risk assessment and the assessment of misstatement risk, we have based our audit opinion on both control-based audit procedures as well as substantive audit procedures. Accordingly, we performed the following audit work, among others:

First, we gained an overview of key product lines and services of Citigroup Global Markets Europe AG, the invoicing models specified for these products and services, and the associated risks. We thereupon gained an understanding about the processes for the recognition, invoicing, and accounting treatment of the intra-group services rendered and about the internal control system set up with respect thereto.

We conducted surveys and inspected the relevant documents for the assessment of the adequacy of the internal control system. The control processes regarded as relevant for our audit are intended in particular to ensure the accuracy of the income and expenses from intra-group services and their processing. After performing this test of design, we tested the effectiveness of the established controls with the help of tests of operating effectiveness.

Finally, as part of substantive audit procedures, we audited the correctness of manual closing entries by inquiry of management and inspecting the documentation serving as a basis. For services that are compensated based on the revenue and/or fee split method, we audited a sample as to whether the services were calculated and compensated correctly on the basis of the group-wide standard and documented transfer pricing method.

OUR CONCLUSIONS

The measures implemented in the bank are appropriate to accurately recognize income and expenses from intra-group services in Citigroup Global Markets Europe AG annual financial statements.

Other Information

Management is responsible for the other information. The other information comprises the the corporate governance statement pursuant to § 289f (4) of the German Commercial Code (Information on the female quota).

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the

assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company’s position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on September 17, 2019. We were engaged by the chairman of the supervisory board on September 18, 2019. We have been the auditor of the Citigroup Global Markets Europe AG, Frankfurt am Main, without interruption for more than 27 years.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

[In addition to the financial statement audit, we have provided to the Company the following services that are not disclosed in the annual financial statements or in the management report:

- Implementation of agreed additional audit work in accordance with the requirement under Section 2 (4) of the Ordinance on Contributions to the Compensation Facility for Securities Trading Companies at the Kreditanstalt für Wiederaufbau (EdWBeitrV)

- Audit of the securities services business pursuant to § 89 of the German Securities Trading Act (WpHG);
- Tax advice in connection with transfer pricing
- Consent Letter to include our audit report for the fiscal years from January 1 to April 27, 2018, from April 28 to December 31, 2018 and from January 1 to December 31, 2017 in a listing document for the Hong Kong Exchange.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Andreas Dielehner.

Frankfurt am Main, 23 April 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Dielehner
Wirtschaftsprüfer
[German Public Auditor]

Dr. Niemeyer
Wirtschaftsprüfer
[German Public Auditor]

**APPENDIX 6
RISK REPORT**

The information in this Appendix 6 has been extracted from our Management Report for the fiscal year ended 31 December 2019. References to page numbers on the following pages are to the page numbers of such document.

Risk Report

4.1 General Principal of our Risk Management

The focus of our business operation as a securities trading bank, which has a central core competency in this area of business, is the ability to correctly assess and purposefully manage the risks that are related thereto. The management of the risks in all relevant aspects is therefore an essential factor for the sustained business success of our bank. This requires an implemented, highly-developed risk management system that is continually updated to accord with, among other things, the extensive regulatory requirements in risk management. In the recently completed fiscal year 2019, we therefore further upgraded our procedure for identifying, measuring, limiting and managing the risks related to our business operation. In this connection and among other measures, the implementation of the guidelines of the Federal Financial Supervisory Authority ("BaFin") regarding the Internal Capital Adequacy Assessment Processes (ICAAP) – Update, was further substantiated.

4.2 Organization of the Risk Management

The overall responsibility for risk management and risk monitoring lies with the plenary Executive Board and with the Supervisory Board of CGME. Individual competencies at the organizational unit levels is shown below:

Overall Responsibility: Executive Board and Supervisory Board of CGME		
Type of Risk	Risk Management	Risk Monitoring
Market risks	Asset Liability Committee and Dealer Desks	Risk Controlling
Liquidity risks	Asset Liability Committee and Corporate Treasury	Risk Controlling and Corporate Treasury
Counterparty risks	Asset Liability Committee and Dealer Desks	Risk Controlling
Operational risks	Divisions responsible for process	Risk Controlling
Business and strategic risks	Business Strategy and Risk Strategy	Risk Controlling
Miscellaneous risks (specifically "pension risks" and "reputation risks")	Business Strategy and Risk Strategy	Risk Controlling
Process-independent monitoring through internal audits of CGME		

The Executive Board determines the business and risk strategy and defines the general conditions in a so-called "Risk Appetite Statement" ("RAS"). On the basis of the "risk appetite", CGME's maximum risk exposure is thereby described, according to which a permanent continuation of business operations is not endangered, even if the risks lead to an economic burden ("Going Concern Approach").

Analogously to the global approach, CGME uses the so-called "Three Lines of Defense Model" to identify, assess and control risks. For the respective business unit ("First Line of Defense"), the RAS provides the framework for the independent and responsible management of existing risks. The Risk - Controlling Division ("Second Line of Defense") regularly determines the quantitative utilization of the defined risk limits and provides reports thereon. In addition, the Internal Auditing Department at CGME ("Third Line of Defense") regularly reviews the organizational structures and procedures and risk-related processes, including the implementation of the RAS, and assesses their appropriateness. Furthermore, the internal workflow processes of CGME ensure that Compliance gets brought in on compliance-relevant issues. The

Risk Report

RAS also provides qualitative guardrails, the compliance with which must be monitored by the respective functions responsible for the process and by the business units of the First Line of Defence. Compliance with such requirements, as determined by the CGME Executive Board, is administered through the Manager Control Assessment Process (“MCA”).

In connection with the risk management, the following committees have been formed:

Committee	Key Tasks	Membership
Business Risk, Compliance and Control Committee (BRCC)	<ul style="list-style-type: none"> • Evaluation of and reporting on all-inclusive risk situation <ul style="list-style-type: none"> ○ CGME ○ Branch CNA Frankfurt am Main ○ CKG as well as ○ Branch CEP Frankfurt am Main • Control Committee for the 2nd Line of Defence 	<ul style="list-style-type: none"> • Members of the Executive Board • Representatives of the operational departments at CGME (e.g., Finance, Risk Controlling, Legal, Compliance) • Internal Auditing Department • General manager of the branches of CNA and CEP in Frankfurt am Main as well as CKG
Asset Liability Committee (ALCO)	<ul style="list-style-type: none"> • Ongoing monitoring of the liquidity and market price risks as well as the financing situation 	<ul style="list-style-type: none"> • Members of the Executive Board (CCO, CFO and CRO) • Risk Controlling • Corporate Treasury

As a member of the Executive Board, the Chief Risk Officer (“CRO”) is actively involved in the process of approving the risk policy guidelines established by the Executive Board for the identifiable risks and is furthermore responsible of the implementation thereof. The Risk Management Country Officer (“RMCO”) routinely reports to the Chief Risk Officer and to the Business Risk, Compliance and Control Committee (“BRCC”) about the controls over and findings about the risk situation at CGME. The meetings of the BRCC are held regularly on a quarterly basis. The RMCO also reports directly to the Executive Board and to the Supervisory Board during the regular quarterly meetings of the committees and, if necessary, when special situations arise.

The reporting is based on internal rules that were enacted in accordance with local regulatory requirements on the reporting systems of a bank (see Special 3 of the MaRisk).

4.3 Risk Definition and Risk Strategy

CGME defines **risk** as potential future developments or events that could lead to a deviation in the forecasts or objectives that is negative for CGME.

Risk management generally distinguishes between **quantitative and qualitative types of risk**. Quantitative risks regularly include, *inter alia*, the counterparty credit risk, the market price risk and the liquidity risk, which can be assessed regularly and, if necessary, with the aid of appropriate measurement methods. The so-called qualitative risks can be quantifiable (e.g., operational risks). In addition, there are qualitative risks for which an objective assessment is not possible (e.g., strategic risk).

The business strategy established by the Executive Board and approved by the Supervisory Board frames the risk management. Building thereon and taking into account in CGME’s risk-bearing capacity (capital adequacy), the overall risk strategy including individual strategies are established for the risk management of key identified types of risks. In this regard, the strategies are based on the principle of ensuring a professional and diligent handling of the existing risks in all business and function areas. To implement the strategies and unconditionally guarantee CGME’s capital adequacy, corresponding risk management and risk controlling processes were implemented.

Risk Report

The **RAS** stipulated the so-called “risk appetite” as the maximum risk that CGME is willing and able to assume in the pursuit of its business objectives without exposing itself to existential risks. The main idea here is to ensure reasonable liquidity and equity capital resources at CGME. The RAS should therefore be seen as an integral component of CGME’s strategic process that is intended to support the Executive Board in guiding CGME’s risk appetite to ensure that CGME is protected against taking on an excessive risk appetite.

The RAS documents the risk management concept implemented by CGME for purposes of creating a forward-looking process that defines expectations for the consolidated risk profile at CGME that are linked to the bank’s general business strategy and its essential resources like capital and liquidity. Key elements of the overall process emerge from the regular risk identification and evaluation process, which is performed in accordance with the requirements pursuant to General Part 2.2 of the MaRisk. This process represents the basis for the CGME risk strategy, including the assessment of the capital adequacy, and a three-year capital projection.

The maximum risk or “risk appetite” is defined in the form of a quantitative thresholds and qualitative parameters and is documented in the RAS. In this regard, the “risk appetite” does not describe the desired risk level, but instead defines a framework of reasonable limits that are established and approved by the Executive Board. Transactions and/or business decisions must therefore satisfy all components of the “risk appetite framework”.

The overall risk strategy and the individual strategies developed therefrom for the significant types of risk are reviewed at least once each year. Each member of the Executive Board may request a review on an *ad hoc* basis. Furthermore, the capital adequacy is also verified at least once each year. This verification also includes a review of the suitability of the risk measuring methods, the processes and the individual risk limits (suitability of the capital buffer as set by the Executive Board).

Where limit transgressions are threatened, CGME has instituted escalation and decision-making procedures. The “Risk Controlling” Division takes actions to ensure a timely and independent risk report is filed with the Executive Board and with the constituted “BRCC” and “ALCO” committees.

Another key component of CGME’s strategy processes is the implemented internal control system (IKS). The control measures, which have been instituted here, are described in the documented rules for individual procedures of each respective department and division. The internal controls are upstream, equal or downstream of the individual work procedures. The IKS therefore encompasses the entirety of all control measures and seeks to ensure specified qualitative and quantitative standards, including legal and regulatory requirements and compliance with the defined risk limits.

4.4 Risk-Bearing Capacity (Capital Adequacy) and Risk Limitation

The **risk-bearing capacity** (i.e., capital adequacy) represents one of the most important determining factors for structuring the risk management. In this regard, one core component of a reasonable and effective risk management system is the evaluation of internal bank processes for ensuring capital adequacy (“Internal Capital Adequacy Assessment Process”; “ICAAP”). To ensure capital adequacy at all times, CGME pursues a dual-control approach. The risk management in the calculation of the economic capital is based the approach, which ensures that risk positions are assumed only to the extent that the long-term continued operation of the Bank can be guaranteed, even if the existing risks should in fact fully materialize and lead to economic detriment. During the economic capital calculation, the primary concern is to identify and quantify those risks that are not captured by the normative capital calculation (formally Pillar I). The calculations are based primarily on a confidence level of 99.9%, although justified exceptions are permissible.

Under this approach, the risk coverage potential is established on the basis of the balance sheet and income statement items, which are prepared in accordance with the provisions of German commercial law and are simultaneously the fundamental elements of the regulatory equity capital. In this regard, the equity capital is recognized as risk coverage potential up to the amount that would be available to offset any potential or incurred losses without thereby violating the minimum requirements under the Capital Requirement

Risk Report

Regulation (CRR). In view of the capital planning requirements under the Supervisory Review and Evaluation Process (SREP), which is based on the regulatory capital, a period of three years is assumed.

CGME has identified

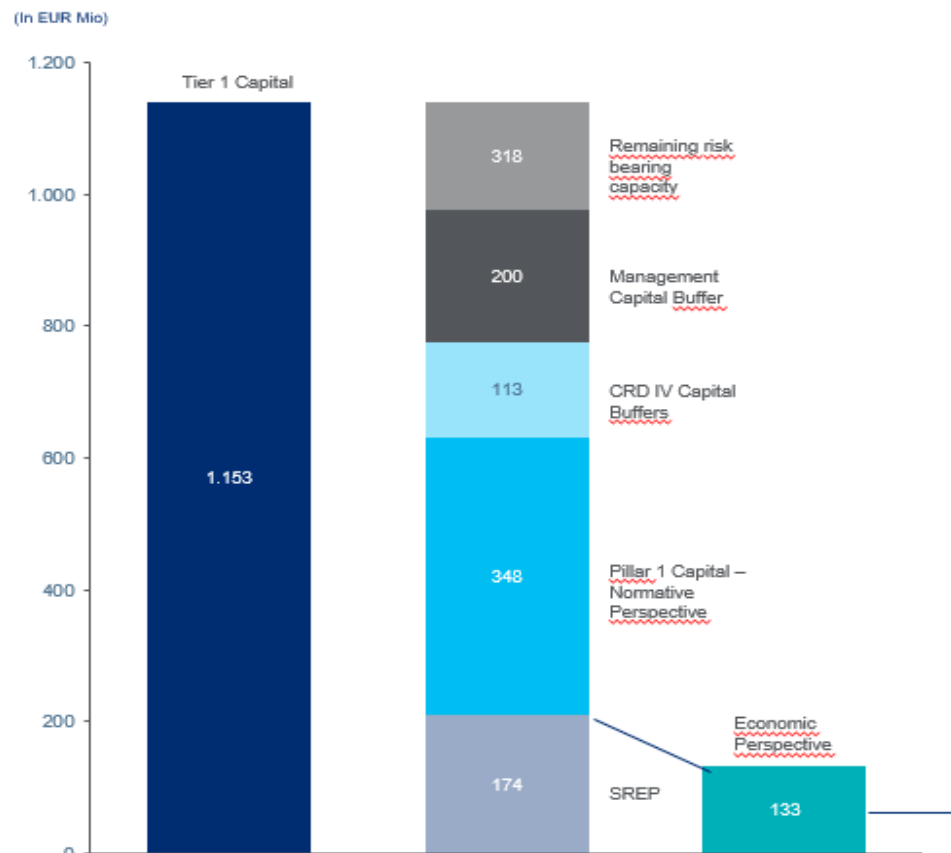
- the concentration risks on counter-party risks
- the CCP-Membership risks
- the operational risks
- the risks from pension funds and
- the reputation risk

as economic risks that must be covered by equity capital. The basis for the foregoing is a risk inventory (risk assessment) carried out on a regular basis and as part of procedurally developing the ICAAP concept.

The risk-bearing capacity concept does not qualify as “significant” so-called liquidity risk, because conceptually no economic capital requirement can be derived from that risk. The appropriate monitoring of the liquidity risk is guaranteed at all times on the basis of the implemented control system and through regular controls performed by the Asset and Liability Committee.

The significant risks are quantified on the basis of statistical methods (models) or with the help of expert assessments. Calculations are supplemented through regular stress simulations for all significant risk categories.

As of December 31, 2019, the risk coverage potential (Tier 1) totaled EUR 1,153 million, which can be broken out as follows in accordance with the regulatory requirements and the capital buffer set by the Executive Board:



Risk Report

In 2019, the Executive Board resolved to increase the “Management Capital Buffer” from EUR 100 million to EUR 200 million in order to account for, *inter alia*, the negative earnings in the recently completed 2019 fiscal year as well as the large increase in capital requirements for counterparty risk, which increase had been anticipated due to BREXIT. At the end of 2019, the remaining risk coverage potential totaled EUR 318 million.

As of December 31, 2019, the **utilization of the risk coverage potential** through the types of economic risks considered significant can be shown as follows:

Significant Types of Risk	Risk Assessment (EUR million)
Risks from pension funds	76.8
Counterparty default risks in connection with clearing trades	40.1
Operational risk	7.0
Reputation risk	4.9
“Pre-settlement exposure –”, risk concentration	4.1
Total	132.9

The **risk-bearing capacity (capital adequacy)**, which is calculated monthly, was guaranteed at all times during the 2019 fiscal year, and CGME had an adequate risk capital buffer. The capital projection carried out as part of the annual risk strategy process also revealed that the capital adequacy will remain in place at all times upon taking into account the targeted business development and the demands in the strategy process specified under the MaRisk.

4.5 Risk Types and Risk Identification and Management

4.5.1 General information

In connection with the risk assessment inventory performed each year, the following significant risks were identified and quantified against the backdrop of the CGME business model:

- Credit risk (counterparty credit risk and issuer risk);
- Market risk;
- Liquidity risk;
- Operational risk and
- Reputation risk.

In addition, there is a risk connected with investments that are made in shares of funds that serve as compensating balances (*Deckungsguthaben*) for the CGME pension obligations owed to its employees (pension fund risk). The risk does not emanate from its own business activity, but is still considered significant and should therefore be taken into account when calculating the risk-bearing capacity (capital adequacy). The following risks covered under the ICAAP have been determined to be other significant types of risk:

- CCP settlement risk from broker-dealer trades
- Concentration risk in connection with the counterparty credit risk.

The following risks that are classified as significant are generally included in the types of risk listed above and relate primarily to operational risk:

- Compliance risk (including conduct, money laundering and fraud)
- Technology risk
- Model risk
- Cyber risk
- Strategic risk.

Risk Report

4.5.2 Counterparty and credit risks

The CGME business activity results in the following significant, client-related counterparty and credit risks:

- Issuer risk (bonds and equities)
- Counterparty risk
- Country risk.

In addition, there are counterparty risks related to the ongoing business activities with the Citigroup companies.

The prevailing principle for structuring the processes in the CGME business activities that entail counterparty risks is a clear segregation between the front office (market-facing) and the back-office up to and including the Executive Board level. The back-office tasks are handled by the independent divisions, Operations and Risk Controlling. The Risk Controlling Division continually monitors whether the lines of credit granted to the clients, including the counterparty limits for trading as well as the issuer risks, are being observed. The monitoring is performed by a division operating independently of the front office (Trading, Banking).

The tasks and responsibilities for the work procedures are stipulated in the form of organizational directives. Clearly defined processes have been implemented for required adjustments.

With respect to these counterparty credit risks, CGME draws a distinction between the settlement risks and the pre-settlement exposures. The settlement risk arises when CGME duly performs under a contract on the settlement day, but the client does not perform its obligation. The pre-settlement exposure is the risk incurred by CGME if the client is unable to meet its obligations under a contract and CGME must therefore cover the position in the market. The risk is calculated according to the mark-to-market valuation method of the client position (*Kundenposition*). Moreover, an issuer risk emerges from the hedging transactions under the trading book.

The trading desks, which are defined according to product specifications, are responsible for the risk management and the conclusion of trades containing counterparty risks. The control and the verification of trading transactions with counterparties and the settlement of the trades are the responsibility of the "Operations" Division. This Division also reviews the market fairness for the executed trades.

For the purposes of evaluating the counterparty credit risk, all counterparties or issuers in trading transactions are subject to a rating by "Operations", either on a regular cycle or based on an event. The rating is an important indicator for defining the counterparty or issuer-related limits.

The discussions and descriptions below relate primarily to issuer and counterparty risks.

The Bank defines limits for various credit types according to the relevant counterparty who are assigned to a class of debtors under § 19 (2) of the German Banking Act (KWG). These limits are approved by the competent decision-makers.

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

As of the end of fiscal year 2019, CGME's total pre-settlement exposure limits (PSE limits) was USD 19,675 million, or EUR 17,514⁷ million, and existed *vis-à-vis* a total of 358 counterparties. Of that amount, a total of approximately USD 811 million or approx. EUR 772 million were utilized. The reason behind these limit utilizations included, *inter alia*, the still cautious market activities of the clients in light of the uncertainty and delays in the timing of BREXIT.

⁷ 1.00 US-\$ = 0.8919 EUR

Risk Report

Broken down according to rating classes, the counterparty credit risk (counterparty risk and credit exposure) to which CGME was exposed as of the end of December 2019 can be shown as follows in terms of the utilizations:

FRR	Jul-19	Sep-19	Oct-19	Nov-19	Dec-19
1	0	0	201	202	218
2	298	483	960	937	937
3	133	257	345	315	235
4	362	182	348	709	329
5	5	4	7	8	16
6	1	0	1	2	2
7	0	0	1	3	6
8	0	0	0	0	0
9	0	0	0	0	0
10	0	0	0	0	0
Unrated	0	87	83	83	15
Total	951	1,374	1,945	2,295	1,758
Weighted Avg FRR	3-	3-	3-	4+	4+

The majority of utilizations (representing a share of approx. 98%) is thereby ascribed to rating classes 1 through 4.

To reduce the credit risks among the counterparties and the issuer risks in trading, master agreements for financial futures⁸ and for securities repurchase agreements (repos) are generally used that provide reciprocal "netting agreements" intended to lower the counterparty credit risks. The master agreements used by CGME for financial futures transactions contain netting or setoff agreements at the individual trade levels (so-called "payment netting") and where all individual trades are terminated under a master agreement (so-called "close-out netting").

In general, all master agreements are subject to the principle of the unified / standard agreement (*Prinzip des einheitlichen Vertrages*). In the event of a termination, the offsetting receivables are netted and only the receivable's credit balance resulting from the netting may be enforced against the defaulting contractual party. The prerequisite for this process to proceed is that the receivable (claim) must be valid and enforceable and that the respective jurisdictions recognize the principle of the unified / standard contract, thereby protecting the claims against seizure by an insolvency administrator that might otherwise pose a risk.

The "close-out netting" might also be exposed to (international) legal risks. These risks are addressed by obtaining legal opinions.

CGME settles security repurchase agreements both bilaterally and via EUREX Clearing AG, acting as a central counterparty. With regard to securities repo transactions, the "payment and delivery netting" is performed in reliance on the respective counterparty. The counterparty risk is also mitigated by settling derivative transactions via central counterparties such as EUREX Clearing AG and LCH Clearnet Ltd.

On derivative transactions, only cash collateral is accepted and is normally transferred on the basis of the relevant contractual agreements. For repo transactions, collateral in the form of securities is made available.

The risk management also entails the assessment and monitoring of country risks. We understand this risk to mean the default risk of a government or a sovereign body and the danger that a counterparty, who is willing and able to make payment, will be unable to meet its payment obligations as a result of governmental

⁸ The master agreements for financial futures also include the master agreement published by the International Swaps and Derivatives Association Inc (ISDA) (the so-called "ISDA Master Agreement"). These agreements are standard contracts that, *inter alia*, have also been recommended for use by the leading associations of German banks (such as the USBdB).

Risk Report

action (transfer risk). Country risks are managed across divisions on the basis of the country limits identified as a result of the country risk assessment.

4.5.3 Market price risks

For the most important types of trading transactions offered by CGME, the following **market (price) risks** were identified:

- Warrants in equity, commodity and foreign exchange assets as well as the corresponding hedges
- Issuance and trade in investment certificates in equities, commodities and foreign exchange as well as the corresponding hedges
- Repos and reverse repos with group companies (refinancing).

With regard to this set of risks, corresponding risks exist for the following market prices:

- Stock prices (e.g., stock price risks)
- Interest rates (e.g., interest change risks, yield curve risks, option risks)
- Commodity prices, and
- Exchange rates (e.g., risks based on a change in the spot or forward exchange rates).

Risk concentrations exist generally in the warrants trading area inasmuch as the significant risks arise from the “equity warrants” products, whereas there are considerably lower risks associated with the “foreign exchange warrants” and “commodity warrants”.

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

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

In addition, we quantify the loss potential of each market factor and calculate the “**value at risk**” (“VaR”), taking into account the correlation between the market factors. The VaR approach has established itself as the authoritative method for assessing economic market risks. The VaR reflects the maximum loss to be expected from a trading book during a certain holding period (e.g., 1 day) with a pre-set likelihood (e.g., a confidence level of 99%). The calculation also takes into account the specific risks of individual stocks (beta risk).

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

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

Risk Report

The method for calculating the ten-day VaR was **modified** as follows in 2019:

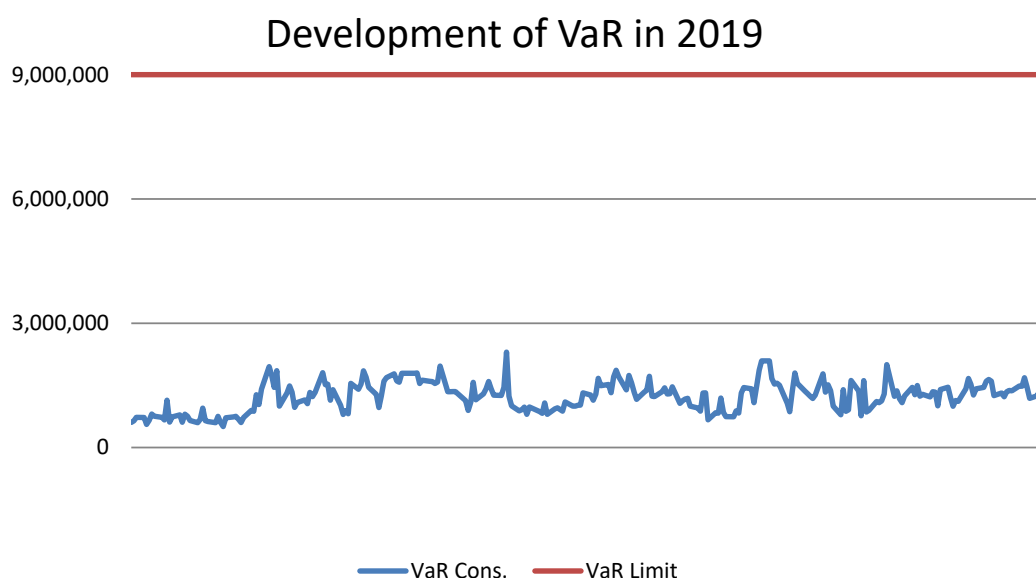
For the regulatory market risk capital, CGME uses a 10-day/99%-USD-VaR as its risk measure. This is estimated from a 1% quantile of the income statement allocation of the corporate portfolio over a period of 10 days. The one day/99%-USD-VaR is calculated from the 1%-random sample quantile of the allocation of the portfolio earnings/loss contributions that are computed as an outcome from 5,000 simulated Monte Carlo scenarios. The 10-day/99%-USD-VaR that is required for the regulatory risk capital is estimated similarly to a one-day/99%-USD-VaR; namely, by using a covariance matrix with a 10-day period to characterize the multivariate normal distribution of market factor changes over a 10-day horizon. The 10-day covariance matrix is generated from the one-day covariance matrix, which is then scaled up by a factor of 10.

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

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

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

The development of the VaR in 2019 can be depicted as follows:



The VaR limit was set at USD 9 million in 2019 and continues to exhibit relatively low utilization. The sale of new trading products, which had been launched in light of the Bank's regional preparation for BREXIT, does not lead to any significant additional trading book positions because all transactions are fully hedged with other Group entities, the so-called "Risk Hubs". However, an exception here are sensitivities that are based on credit valuation adjustments (CVA), such as the credit spread risks. To monitor such risks, firm limits were introduced that are monitored and reported to management in the same manner as the risks specified above.

Risk Report

The risk of interest rate or yield changes in the trading book, specifically with respect to short-term maturities and regularly executed hedges, is relatively low and largely the result of the yield sensitivity of reverse repo transactions that are executed for purposes of refinancing the lending business.

4.5.4 Liquidity risks

In connection with the **liquidity risk**, there is a so-called “payment insolvency risk”, inasmuch as anticipated or unanticipated payment obligations cannot (or can no longer) be met. CGME has also identified a “refinancing risk”, specifically for the products, “market warrants” and “certificates”.

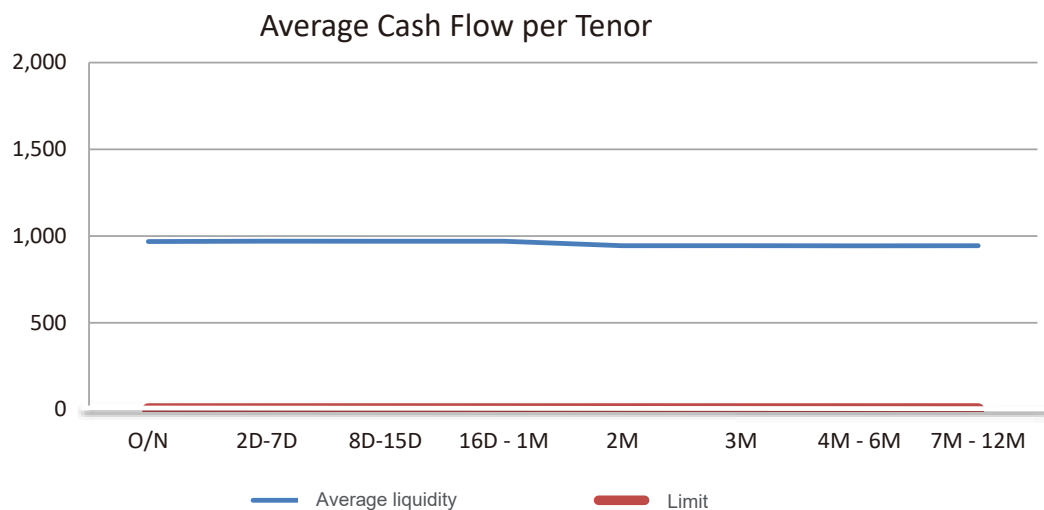
The liquidity risk is managed by the Corporate Treasury Division and seeks to ensure that future payment obligations can be met at any time with adequate liquid funds.

The risk monitoring and management are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a quarterly basis, this is complemented by scenario stress analyses in order to identify whether unexpected events could create liquidity squeezes and which corrective measures could be taken. The Risk Controlling Division monitors compliance with the limits on a daily basis. The Executive Board is regularly and seasonably provided a report about CGME’s liquidity situation.

In addition, CGME has set up a liquidity reserve in order to absorb potential distortions on the capital markets and to fund any liquidity shortages that could result therefrom.

CGME reports on all significant structural liquidity gaps beyond all maturities that are stipulated in the funding matrix (liquidity gap analysis). In the course of fiscal year 2019, no limit breaches were shown in the funding matrix.

Broken down into the individual maturity bands as of the end of fiscal year 2019, the respective cumulative cashflows of CGME can be shown below as follows:



According to the table shown above, CGME has had adequate liquidity in all time bands of up to one year.

The Bank implemented a standby liquidity reserve (known as the “liquid asset buffer or “LAB”) in order to be able to satisfy any sudden refinancing needs for the balance sheet.

Risk Report

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

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

4.5.5 Operational risks

Within CGME, operational risks are defined as the risk of incurring losses that are triggered by the unsuitability or the failure of internal procedures, persons and systems and/or caused by external events. Key elements or components of the risk management process involving operational risks are:

- regular implementation of a risk inventory on the basis of an estimate about the likelihood of occurrence and the anticipated risk expense for quantifying the operational risk
- self-assessment to determine indicators for any risk exposure within CGME's organizational structures and procedures
- loss database for compiling relevant incidents and the documentation in processing the elimination of materializing potential losses (CitiRisk Loss Capture System). The loss database will include all loss events sustained starting at a volume of USD 20k as well as potential cases that have not yet materialized ("Near-Miss Events") but would have an anticipated loss volume of USD 500k.

The following material operational risks were identified:

- Internal and external fraud, theft and tortious conduct
- Employment practices and job security
- Customers, products and business practices
- Property damage, operational disruptions and system failures (IT systems).

In light of the outsourcing of individual services and infrastructure measures, there is a risk concentration that is fully taken into account under the risk management by virtue of suitably institutionalized control processes.

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

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

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

The operational risks related to the capital adequacy calculation are quantified through a statistical simulation fed by historical loss events. The Pillar 1 minimum capital requirement for the operational risks, which is computed using the standard approach, is used for this purpose and is included in the calculation of the risk-bearing capacity.

Risk Report

Taking into account all Business Divisions and Departments, CGME performs an extensive risk inventory on an annual basis in order to identify and assess existing operational risks using prescribed scenarios. In this regard, the likelihood of occurrence and the assumed loss potential serves as the primary criteria.

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

4.5.6 Other significant risks

Pensions fund risks

CGME currently has holdings in four pension funds. However, the capital adequacy calculation lists only the risks connected with two contractual funds (*Sondervermögen*), for which CGME bears the risk of having to make subsequent capital contributions due to the return (yield) objectives that had been set. The risks result from yield-induced changes in the valuation of pension obligations due to interest rate fluctuations and the fluctuations in the value of fund assets.

The risk capital required to cover the risks is calculated on the basis of statistical models (variance-covariance matrices) and scenario analyses.

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

Reputation risks

Since the reputation risk can emanate from all other risks, it is handled separately from operational risk. For the aforementioned reason, reputation risks are monitored and managed implicitly by controlling all risk categories from which a reputation risk could arise. An explicit monitoring of the reputation risk is carried out by the "Legal" and "Corporate Communication" divisions because reputation risks could arise from complaints and litigation or negative press reports.

A quantification as contemplated under the risk capital concept is handled through an expert assessment. The calculated magnitude is derived from a pre-defined scenario for which the pricing of the issue products cannot be made over a period of three days. For the next 12 months, the bank presumes a 10 percent drop in revenues. The management of the reputation risks is addressed primarily by the CGME Executive Board, which also decides on any action that may be needed.

As of the end of fiscal year 2019, there were no material effects identified on the basis of a reputation risk

Tax Risks

Based on the findings from individual tax audits conducted at CGME's clients, the tax authorities are of the opinion that in connection with certain stock transactions executed with those clients, the investment income withholding tax (*Kapitalertragsteuer*), together the solidarity surcharge, which had been incurred on the dividend payments, had not been properly withheld from the clients (who were the primary debtors) and remitted to the authorities or that the relevant tax certificates had been incorrectly issued. The tax authorities believe that CGME should be subject to so-called "secondary liability", if the primary debtors are unable to meet their tax payment obligations. To that end, liability orders (*Haftungsbescheide*) were issued by the relevant tax offices against CGME for the period of 2015 through 2018, against which liability orders an appeal has been lodged and a motion to stay enforcement was filed.

Risk Report

At the end of 2019, a legal opinion was obtained to further clarify the facts and to legally analyze a claim against CGME based on secondary liability with respect to the investment income withholding tax amounts (plus solidarity surcharge) for dividends in the context of *cum-ex* trades. The legal opinion took the view that CGME would likely be successful in the judicial proceedings and would not be held secondarily liable and that any statutory provision prescribing strict liability for issuers of tax documentation would be held unconstitutional.

With respect to the foregoing, the tax risks are therefore projected as low because no back tax payments are expected to be enforced based on the information currently available.

Miscellaneous risks

To monitor other significant risks such as outsourcing risks, conduct risks, cyber risks, the relevant analyses are performed regularly, and are incorporated into the strategic procedures (establishing the risk appetite pursuant to General Part 4.2 of the MaRisk). A quantification, in the sense of an economic capital requirement (*ökonomischen Kapitalanforderung*), is not carried out in these cases because such risks are viewed as a component of the operational risks.

Risks in connection with the branches

In 1st quarter of 2019 and in connection with a capital contribution-in-kind carried out at CGME by its sole shareholder, the assets and liabilities as well as the business relationships of the branches in Madrid, Milan and Paris were taken over. The counterparty credit risks, market price risks, liquidity risks and operational risks connected with the business operations at those branches are factored into the risk management and the assessment of CGME's capital adequacy. Pursuant to the business policy approach, no additional significant risks were generated by the branches in terms of the implemented "back-to-back model".

4.6 Summary Description of the Risk Situation

CGME has a system, customary in the industry, that identifies, assesses and monitors all significant risks and that meets the related requirements under the MaRisk.

CGME holds adequate liquidity and capital resources to suitably cover all of the identified aforementioned risks and to be able at all times to support sustained business development. Under each of these scenarios, this also applies to the implemented stress test.

The rapid spread of the coronavirus and the emergency measures taken by many countries to control the pandemic have caused significant volatility on the financial markets. It can also not be ruled out that the pandemic will have an adverse effect on global business activity. The concern about a potentially significant negative impact on the global economy and a possible worldwide recession has since escalated.

Depending on the extent and severity of the coronavirus pandemic and the measures taken to control the virus at national and international levels, the volatility on the financial markets – specifically for market price risks and counterparty default risks on certain financial instruments – could rise and thereby have an adverse effect on the trading results and also the access to capital and financial markets. It can also not be ruled out that the operational and control procedures at CGME will be impaired through the additional mandatory measures that will be imposed to control the pandemic.

CGME shall closely track and monitor the situation regularly arising from the Corona pandemic and the measures taken to control it, the ensuing consequences for the economy, the potentially related volatility on the capital and financial markets and any effects therefrom on the economic conditions and shall, in close cooperation with the shareholder and the other Citigroup companies, take the immediate actions necessary to minimize the economic damages that could result therefrom.

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