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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 fund which has issued the underlying securities, or its trustee (if applicable) or manager; 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 Single Resolution Mechanism Regulation and 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**”), Deutsche Bundesbank and the European Central Bank.

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 2022.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.00565 per cent, the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. and the Financial Reporting Council charges a transaction levy of 0.00015 per cent. for 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 read the relevant documents?

Copies of the following documents are available on the website of the HKEX at www.hkexnews.hk and our website at <https://www.citifirst.com.hk>:

- (a) our base listing document dated 29 April 2022 for our audited financial statements for the fiscal year ended 31 December 2021;
- (b) (i) this document and any addendum to this document; and
(ii) the other Listing Documents (including the launch announcement and supplemental listing document), as long as the relevant series of the Structured Products is listed on the Stock Exchange,

which include our updated audited financial statements and our latest unaudited interim financial statements (if any); and
- (c) the consent letter of our auditor (“**Auditor**”).

以上各文件可於香港交易所披露易網站(www.hkexnews.hk) 以及本公司網站 (<https://www.citifirst.com.hk>) 瀏覽。

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 18 April 2023 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 Ellen Li, 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 of a company, a unit or share of a fund, 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 https://www.hkex.com.hk/products/securities/structured-products/overview?sc_lang=en or our website at <https://www.citifirst.com.hk> 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) Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and Hang Seng China H-Financials Index;
- (c) exchange traded funds (“ETF”) listed on the Stock Exchange; and/or
- (d) overseas shares, 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/Structured-Products/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 (“**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 feature 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 exchange traded fund, 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?

Although the price of a series of CBBCs tend to follow closely 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), movement in the price of the series of CBBCs may not always follow closely the movement in the value 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 https://www.hkex.com.hk/products/securities/structured-products/overview?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. The legal entity identifier is 6TJCK1B7E7UTXP528Y04.

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 reorganization 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 of Citigroup Group 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.

The Issuer as a CRR Credit Institution

Pursuant to Article 4 (1)(1)(b) of Regulation (EU) No. 575/2013 (Capital Requirements Regulation), which was introduced in the course of the European regulations on significant investment firms, the Issuer falls into the category of (significant) credit institutions. The Issuer has complied with the resulting obligation to submit an application for permission to operate as a CRR credit institution by 26 June 2021. The application for permission has been approved on 17 October 2022. Thus, with effect from 18 October 2022, the Issuer shall be subject to the direct supervision of the European Central Bank as supervisory authority.

1.2 Development of the Issuer

There have been no significant events that may have a material impact on the assessment of the Issuer's solvency.

2. BUSINESS OVERVIEW OF THE ISSUER

2.1 Principal Activities

2.1.1 Overview

The Issuer is an international CRR – credit institution pursuant to Article 4 (1)(1)(b) of Regulation (EU) No. 575/2013 (Capital Requirements Regulation) in conjunction with § 32 (1) sentence 3 of the German Banking Act (*Kreditwesengesetz*, “**KWG**”) and has been regulated by the European Central Bank, BaFin and Deutsche Bundesbank since 18 October 2022. The Issuer provides the whole range of products offered by Citigroup's Institutional Clients Group (“**ICG**”) in the areas of Markets, Banking, Capital Markets & Advisory (“**BCMA**”) and Independent Research to clients domiciled in the European Economic Area (“**EEA**”), including large international corporates, financial institutions, institutional investors (such as asset managers, insurance companies and financial lenders) and government and public sector entities (including municipalities). In addition, the Issuer provides its customers with access to international capital markets. Under its product offering, the Issuer is also a major issuer of leveraged products and investment products, the final acquirers of which are mainly private investors.

In addition, the Issuer provides Citigroup's global clients with access to European financial products. In this context, the Issuer benefits in particular from its integration into Citigroup's global network with a presence in more than 160 countries.

2.1.2 Equity, Warrants and Certificates, Equity & Derivative Sales

(a) Leveraged products and investment products

The Issuer issues leveraged products and investment products. The products are primarily distributed in Germany and beyond that in Austria, Finland, France, the Netherlands, Portugal and other countries, as the case may be.

The securities reference primarily shares, share indexes, exchange rates, futures, commodities. The publicly offered securities are listed on exchanges and are sold almost exclusively over stock exchanges or off-exchange. In the case of leveraged products, 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 leveraged products and investment products it has sold. The Issuer's London branch executes the hedging transactions for securities related to the aforementioned underlyings with other companies of the Citigroup Group, but also with counterparties outside the Citigroup Group where appropriate.

(b) Equity Sales and Sales-Trading

The Equity Sales and Sales-Trading Department advises and counsels institutional investors on the purchase and sale of global equities and acts as an interface when advising on customer order placements, order taking and order forwarding to the other Citigroup Trading Desks. The 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 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, 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 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 also 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 and 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 & 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) The services offered by Equity Capital Markets and Debt Capital Markets can be divided into the following areas:

- Origination - advising clients on the issuance of equity and debt instruments.
- Syndication - execution of the issuance of equity and debt instruments, including book-building and advising clients on allocation.

2.1.5 Economics Research

Following the United Kingdom's withdrawal from the European Union, the Issuer has assumed primary distribution of research publications for the EEA.

2.1.6 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.

2.1.7 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.

2.1.8 Derogation from generally described business procedures

In general, the Issuer is authorised to handle any and all transactions that are permissible under the Issuer's articles of association and/or 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 Issuer's branch network encompasses Germany, France, Italy, Spain and UK and covers EEA domiciled clients as target market. Public Listed Products (PLP) teams market all of the Issuer's leveraged products and investment products to German, Austrian, Euronext Market, Finnish investors via intermediaries and stock exchanges.

3. ORGANISATIONAL STRUCTURE OF THE ISSUER

The Issuer is a member of Citigroup Group. 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 fund which issues the underlying securities or its trustee (if applicable) or manager; 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, the trustee (if applicable) or the manager of the ETF. 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.

Insolvency Risk

There is a risk that the Issuer may not be able to meet its obligations arising from the securities, or may not be able to meet them in a timely manner or in full. This risk may materialize in particular if certain risks described in detail below under “Liquidity risk”, “Credit risks” or “Market price risks” materialize.

There are no contracts with other companies of the Citigroup Group that contain any obligations of a company of the Citigroup Group to stand in for the Issuer’s liabilities in the event of a shortfall in the Issuer’s assets to prevent insolvency or liquidation of the Issuer. In particular, there are also no guarantees from other companies of the Citigroup Group for the Issuer’s liabilities.

If insolvency proceedings are opened against the Issuer, holders of securities can only assert their claims in accordance with the legal provisions of the Insolvency Code. Holders of securities will then receive a sum of money which is calculated according to the amount of the so-called insolvency quota. This amount of money will regularly not come close to the purchase price paid by the security holder for the securities (including transaction costs incurred). **Insolvency of the Issuer may even lead to partial or total loss of the amount paid by the security holder in connection with the purchase of the securities (risk of total loss).**

Liquidity risk

Liquidity describes the ability of a financial institution to increase assets and meet obligations. Liquidity risk is the risk that the Issuer will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral requirements, as well as the risk that the Issuer is unable to obtain sufficient liquidity or liquidity only at increased market rates when required. The Issuer is managed in accordance within the liquidity risk section of the minimum requirements for risk management (*Mindestanforderungen an das Risikomanagement – MaRisk*) issued by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungen – BaFin*) as well as the Liquidity Risk Management Policy of Citigroup Inc.

If the Issuer faces liquidity shortfalls, then the Issuer may not be able to fulfill its obligations under the issued securities in a timely manner or at all. Liquidity shortfalls may result from the occurrence of certain risks described in detail below under “Credit risks” or “Market price risks”. However, the occurrence of other risks also entails a corresponding risk of liquidity shortfalls. In particular, the risks mentioned in the risk category “Operational risks” are relevant in this respect. If one of the risks mentioned has a particular effect on the Issuer’s liquidity, this is explicitly stated within the respective risk description.

Other risks that can lead to liquidity shortfalls are, for example, a financial market crisis that leads to financial instability and to a reduction in the volume and availability of short, medium and long-term liquidity on the market. Such a situation could lead to an increasing dependence on central bank liquidity. In addition, the counterparty risk, especially between banks, could increase substantially and lead to a reduction in interbank business. This could have a negative impact on the Issuer’s ability to refinance itself in line with its activities and to comply with the minimum requirements with regard to liquidity.

The realisation of the liquidity risk may have a material adverse effect on the financial and liquidity position of the Issuer. **Should the Issuer potentially not be able to fulfil its obligations under the securities issued by it in a timely manner or at all, this may result in the value of**

the securities issued by the Issuer falling significantly or investors losing all or part of their invested capital (risk of total loss).

Credit risks

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

Credit risk (also known as counterparty risk), including issuer risk and country risk, is significantly influenced by various unforeseeable factors in connection with economic and political developments, such as recessions, sector-specific market developments, currency risks, changes in tax and monetary policy, natural disasters (including pandemics, for example), wars, changes in legislation or regulatory requirements, liquidity and expectations of the capital markets and consumer behaviour with regard to investment and saving.

The occurrence of credit risks can have a significant negative impact on the Issuer's financial position. A significant deterioration in the Issuer's financial position may, for example, lead to liquidity shortfalls at the Issuer or a deterioration in the Issuer's solvency.

Therefore, the consequence of the occurrence of credit risks can be a considerable loss in value of the securities issued by the Issuer. Under certain conditions, this may also result in a partial or total loss of the amount paid by security holders in connection with the purchase of the securities (risk of total loss).

Market price risks

Market risk is the risk of losses as a result of changes in market prices, in particular as a result of changes in foreign exchange rates, interest rates, equity and commodities prices as well as price fluctuations of goods and derivatives. Market risks primarily result from adverse and unexpected developments in the economic environment, the competitive position, the interest rates, equity and exchange rates as well as in the prices of commodities. Changes in market prices may, not

least, result from the extinction of markets and accordingly no market price may any longer be determined for a product. Credit and country specific risks or internal events resulting from price movements of the underlying assets are also considered as market risk.

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

- Issuance and trading of leveraged products (e.g. warrants, knock-out warrants, discount warrants and factor securities)
- Issuance and trading of investment products (e.g. certificates)
- Money market transactions with credit institutions (repos and reverse repos) are only entered for the refinancing of the unit/entity
- Fixed Income Finance

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

The occurrence of losses regularly has a negative impact on the financial position of the Issuer. A significant deterioration in the financial situation of the Issuer, e.g. as a result of the occurrence of significant losses, can lead, for example, to liquidity shortfalls at the Issuer or a deterioration in the Issuer's solvency.

Under certain conditions, the realization of market price risks may result in a significant decline in the value of the securities issued by the Issuer or in securities holders losing all or part of their invested capital (risk of total loss).

Risks due to the EU recovery and resolution regime

At European Union ("EU") level, the EU institutions have enacted Directive 2014/59/EU, as amended from time to time, which defines a framework for the recovery and resolution of certain entities (the so-called Bank Recovery and Resolution Directive, the "**BRRD**") as well as

Regulation (EU) No.806/2014 of the European Parliament and the Council of 15 July 2014, as amended from time to time, which establishes a uniform procedure for resolution of certain entities established within the euro area (the so-called Single Resolution Mechanism Regulation – “**SRM Regulation**”).

The BRRD has been implemented in the Federal Republic of Germany by the Restructuring and Resolution Act (Sanierungs- und Abwicklungsgesetz – “**SAG**”) while the SRM Regulation is directly applicable in Germany. Under the SRM Regulation, the Issuer – being a significant credit institution directly supervised by the European Central Bank – is subject to the resolution decisions that might be adopted by the European Single Resolution Board (the “**Single Resolution Board**”) and in close cooperation with the European Central Bank, the European Council, the European Commission and the national resolution authorities.

BaFin as the national resolution authority with competence over the Issuer, would implement such resolution decisions adopted by the Single Resolution Board by exercising its powers under the SAG and in accordance with the conditions laid down in national law.

Subject to certain conditions and exceptions, the competent resolution authority is, inter alia, empowered to permanently write down liabilities of the institutions, including those from Structured Products issued by the Issuer, 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 competent resolution authority with regard to the SRM Regulation, the SAG and other applicable rules and regulations. 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 there is an obligation to make additional contributions to the Issuer’s pension fund resulting from an economic loss.

The Issuer has shares in various pension funds for which there is a risk of the Issuer’s obligation to make additional contributions due to minimum return targets. The risks result from an interest-induced change in the valuation of the pension obligations and the fluctuations in the value of the fund assets.

If the Issuer has to make an additional contribution, this may have an adverse effect on the financial position of the Issuer. The result can be a significant loss in value of the securities issued by the Issuer. Under certain conditions, investors may also lose at least part of their invested capital if this risk is materialized.

Operational risks

The Issuer defines operational risk as the risk of loss resulting from the inadequacy or failure of internal procedures, people and systems and/or from external events.

- Risks of fraud

There are internal and external fraud risks such as bribery, insider trading, market manipulation or data theft as well as other criminal acts.

In connection with the realisation of fraud risks, there is the possibility of financial losses of the Issuer or reputational risks which may have an adverse effect on the financial position of the Issuer. This in turn may be reflected in the value of the securities issued by the Issuer and may lead to the partial loss of the amount paid by security holders in connection with the purchase of the securities.

- Personnel risk

The Issuer as a credit institution has a high demand for qualified and specially trained professionals and managers, e.g., equity and derivatives traders, interest rate and foreign exchange traders, but also specialists in advising on mergers and acquisitions (M&A) or specialists in corporate finance. The Equity Capital Markets unit, which advises and supports listed companies in raising equity capital, and the Debt Capital Markets unit, which supports group companies in the acquisition and structuring of new issues of interest-bearing securities or related transactions for private and public sector clients, also rely on specially trained professionals and managers. There is a risk of high staff turnover in this area and the risk that the Issuer will be unable to retain a sufficient staff of qualified personnel. The higher the fluctuation of qualified and specially trained professionals and managers and the less qualified personnel can be tied to the Issuer, the greater the personnel risk. The personnel risk also reflects the risk that the Issuer's employees may knowingly or negligently violate established regulations or the firm's business ethics standards.

If the personnel risk materialises, this may result in adverse effects on the Issuer's business operations with the consequence that the value of the securities issued by the Issuer may fall and investors who have invested in these securities may at least partially lose their in-vested capital.

- 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 in-formation may be of poor quality, or have been wrongly handled or improperly obtained. For example, if the Issuer receives no information from financial information services or stock exchanges or only information of poor quality or if the information received is incorrect, e.g., in relation to data relevant for determining prices of securities issued by the Issuer, this may have a direct negative impact on trading in the securities. The information risk also includes risks resulting from systems and used for processing information.

In connection with the realisation of an information risk, this may result in negative effects on the business operations of the Issuer with the consequence that, for example, customers of the Issuer cannot be served in accordance with their expectations and requirements and may turn away from the Issuer as a business partner. The loss of customers and the associated negative effects on the Issuer's earnings may result in a decline in the value of the securities issued by the Issuer and investors who have invested in these securities may at least partially lose their invested capital. The more frequently information is not available for the reasons set out above, or the poorer the quality of information that the Issuer receives from third parties, the greater the likelihood of its occurrence and the financial consequences for the Issuer's business and earnings, as well as the potential consequences regarding the value of the securities issued by the Issuer.

- 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. This includes, for example, the reports to the transaction register in accordance with Regulation (EU) No. 648/2012 (EMIR) and transaction reporting to BaFin in accordance with Regulation (EU) No. 600/2014 (MiFiR). In addition, parts of the settlement of products such as cash equities, equities derivatives, commodities, fixed income and the corresponding middle office functions were transferred within the group.

The outsourcing of processes to service providers has increased operational risk.

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. This risk is all the greater the more frequently or more companies fail to meet their contractual obligations or fail to meet them in a timely manner.

- 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.

Sometimes the Issuer uses manual processes that can lead to such errors. Errors can occur, for example, in connection with dividend payments due to incorrect accounting or when securities issued by the Issuer are adjusted due to corporate actions.

Should this risk materialise, it may also affect the Issuer's ability to meet its obligations under the securities issued in a timely manner.

Tax risks

Future changes in tax laws as well as changes in tax law due to changed interpretations of the law by tax courts or tax authorities cannot be ruled out. Furthermore, tax assessments issued to the Issuer are regularly subject to review. This is a common procedure whereby the tax authorities may still claim additional taxes years after the original tax assessment has been issued.

Additional tax claims can have a significant negative impact on the financial position of the Issuer. A significant deterioration in the Issuer's financial position may, for example, lead to liquidity shortfalls at the Issuer or deterioration in the Issuer's solvency.

Therefore, the realisation of tax risks may, under certain conditions, result in a loss of value of the securities issued by the Issuer or, even at maturity, at least a partial loss of the amount that security holders paid when purchasing the securities.

Legal risks and risks arising from the legal environment

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, such as the requirements that are imposed on the compliance function under the Circular "10/2021 (BA) – Minimum Requirements in Risk Management – MaRisk" and under "05/2018 (WA) – Minimum Requirements Imposed on Compliance Functions and Other Duties of Performance, Organization and Transparency – MaComp" published by BaFin or further supervisory requirements of the regulatory authorities.

Failure to comply with these requirements may result in legal or regulatory proceedings or investigations, or in claims for damages, fines or other penalties imposed on the Issuer.

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 Issuer's earnings and financial position with the result that the value of the securities issued by the Issuer may decline in value and investors who have invested in these securities may partially lose their invested capital. The greater the increase in the Issuer's operating expenses, the more negative effects this would

have on the Issuer's financial position and results of operations and thus potentially on the value of the securities issued by the Issuer.

The military action by Russia in Ukraine, and related sanctions, export controls and similar actions or laws could adversely affect Citigroup Groups' business activities and customers

Following the military action by Russia in Ukraine, the United States has imposed, and is likely to impose material additional, financial and economic sanctions and export controls against certain Russian organizations and/or individuals, with similar actions implemented and/or planned by the European Union, the United Kingdom and other jurisdictions. Citigroup Group's ability to engage in activity with certain consumer and institutional businesses in Russia and Ukraine or involving certain Russian or Ukrainian businesses and customers is dependent in part upon whether such engagement is restricted under any current or expected United States, European Union, United Kingdom or other countries' sanctions and laws, or is otherwise discontinued in light of these developments. Sanctions and export controls, as well as any actions by Russia, could adversely affect Citigroup Group's business activities and customers in and from Russia and Ukraine. Any negative impact of Russia's actions in Ukraine, and related sanctions, export controls and similar actions or laws on Citigroup Group, including the Issuer, could adversely affect the ability of the Issuer, to fulfil its obligations under the Securities, and the value of and return on the Securities may also be adversely affected.

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. In addition, if an Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever reasons, trading in the relevant series of Structured Products may 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 specific to underlying asset adopting the multiple counters model

Where the Underlying Asset adopts the multiple counters model for trading its units or shares on the Stock Exchange in Hong Kong dollars (“HKD”) and one or more foreign currencies (such as Renminbi and/or United States Dollars) (each a “**Foreign Currency**”) separately, the novelty and relatively untested nature of the Stock Exchange’s multiple counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded or the Foreign Currency-traded units or shares. If the Underlying Asset is the units or shares traded in one currency counter, movements in the trading prices of the units or shares traded in another currency counter should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units or shares between different currency counters for any reason, such units or shares 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 or shares and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the units or shares traded in one currency counter may deviate significantly from the trading price on the Stock Exchange of

shares or units traded in another currency counter due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and the exchange rate fluctuation. Changes in the trading price of the Underlying Asset in the relevant currency counter may adversely affect the price of the Structured Products.

Risks relating to Structured Products over funds

General risks

In the case of Structured Products which relate to units or shares of a fund:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee (if applicable) or the manager of the relevant fund. Neither the trustee (if applicable) nor the manager of the relevant fund (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 fund. The trustee (if applicable) or manager of the relevant fund is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant fund. The manner in which the relevant fund is managed and the timing of such actions may have a significant impact on the performance of the relevant fund. Hence, the market price of the relevant units or shares is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units or shares of an 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 creation or redemption of units or shares 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 or shares 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 the QFI regimes and/or China Connect

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

- (a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its interpretation and/or implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of China ETFs and the trading price of the relevant units or shares;
- (b) a China 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 a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under China Connect. In the event that daily quota under China Connect is reached, the manager may need to suspend creation of further units or shares of such China ETF, and therefore may affect the liquidity in unit or share trading of such China ETF. In such event, the trading price of a unit or share of such China ETF is

likely to be at a significant premium to its net asset value, and may be highly volatile. The People’s Bank of China and the State Administration of Foreign Exchange have jointly published the detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020; and

- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to a China ETF investing in the Mainland China through the QFI regimes and/or China Connect. Although such China 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 China ETF and may therefore adversely affect the net asset value of such China 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 or shares and the price of the Structured Products.

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

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 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.

Commodity market risk

Where the Underlying Asset comprises the units or shares of an ETF whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units or shares. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

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.

You may lose your entire investment when a Mandatory Call Event occurs

Unlike warrants, CBBCs has a mandatory call feature and trading in the CBBCs will be suspended when the Spot Level/Spot Price reaches the Call Level/Call Price (subject to the circumstances in which a Mandatory Call Event will be reversed as set out below). No investors can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the level/price of the Underlying Asset bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back. Investors may receive a Residual Value after the occurrence of a Mandatory Call Event but such amount may be zero.

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, SRM REGULATION AND THEIR IMPLICATION TO THE STRUCTURED PRODUCTS

What is the BRRD and the SRM Regulation?

The Bank Recovery and Resolution Directive (2014/59/EU), as amended from time to time, (“**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 and which has been amended by, *inter alia*, Directive (EU) 2019/879 (“**BRRD II**”). The BRRD and BRRD II have 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. For banks and financial institutions in the eurozone that are supervised within the framework of the Single Supervisory Mechanism pursuant to Regulation (EU) 1024/2013 (“**SSM**”), such as the Issuer, Regulation (EU) No 806/2014 of 15 July 2014, as amended from time to time (the “**SRM Regulation**”) provides for a uniform application of the resolution rules across the SSM (referred to as the “**Single Resolution Mechanism**” or the “**SRM**”).

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 SRM Regulation is, in principle, consistent with the BRRD and adapts the rules and principles of the BRRD to the specificities of the SRM.

The SRM Regulation and the BRRD contain four resolution tools (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 wholly or partially publicly owned asset management vehicles to allow them to be managed with a view to, *inter alia*, 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). The BRRD also contains resolution powers in order to effectively apply the Resolution Tools. In addition, Article 33a BRRD empowers the resolution authority to, *inter alia*, suspend payment and delivery obligations even before Resolution Tools have been exercised.

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 and SRM Regulation. 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 SRM Regulation and 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 SRM Regulation and BRRD

The Issuer is a credit institution founded in Germany and is subject to the SRM Regulation as well as the SAG, being the German legislation implementing the BRRD.

Under the SRM Regulation and SAG substantial powers are granted to the Single Resolution Board in cooperation with the European Central Bank, the European Commission and the European Council to adopt resolution decisions and to BaFin, the German resolution authority, and/or to other relevant resolution authorities in the EU, to implement resolution decisions by exercising its powers under the SAG (including the use of the Resolution Tools) in respect of a German significant credit institution directly supervised by the European Central Bank (including, for example, the Issuer) and certain of its affiliates to protect and enhance the stability of the financial system of Germany and the EU 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 measure (including the Resolution Tools) or any suggestion of any such exercise under the SRM Regulation and SAG 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 SRM Regulation and SAG. 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 SRM Regulation, 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 (including the SRM Regulation) 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 EU recovery and resolution regime**” 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), 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

Each dealer has represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Structured Products which are the subject of the offering contemplated by this Base Listing Document to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “offer” includes 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 for the Structured Products.

Each dealer has represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to represent and agree that:

- (a) with respect to securities with a term of less than one year: (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;
- (b) 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; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Structured Products in, from or otherwise involving the United Kingdom.

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 Prospectus Regulation (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 Prospectus Regulation (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 Prospectus Regulation or supplement a prospectus pursuant to the Prospectus Regulation.

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 in accordance with Article 2 of the Prospectus Regulation a communication to persons in any form and by any means, presenting 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 for the Structured Products. This definition also applies to the placing of Structured Products through financial intermediaries.

The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended from time to time.

The expression “**Prospectus Exemptions**” means the exemptions from the obligation to publish a prospectus in accordance with Article 1 (4) of the Prospectus Regulation, 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 fund which has issued the underlying units or shares; 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. Financial instruments issued before 1 January 2025 are generally subject to Section 871(m) only if such instruments have a delta of one (unless such instruments are materially modified on or after such date). 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

2025, 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 28 April 2023 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, (i) relating to 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) as amended from time to time, (ii) constituting or relating to 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 Regulation”**) as amended from time to time, (iii) otherwise arising under German law, and, in each case of (i) to (iii) above, 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 the Issuer or any other person.

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

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	51
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX	59
PART C — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUND	64

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.

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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.

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PART C
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER
EXCHANGE TRADED FUND

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;

“**Fund**” means the exchange traded fund 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;

“**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 exchange traded fund;

“**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;

“**Unit**” means the share or unit of the Fund 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 Fund 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 Fund 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 Fund 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 Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or 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 Fund is to or may merge 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 Fund 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 or shares of the trust(s) or corporation(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 Fund, 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 Fund.

If and whenever the Fund 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 Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) 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 Fund’s or the Trustee’s (as the case may be) 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 such Fund’s or Trustee’s (as the case may be) 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 Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (b) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted;
- (c) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (d) the Fund 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:

Citigroup Global Markets Asia Limited

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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
Champion Tower
Three Garden Road
Central
Hong Kong

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 EXCHANGE TRADED FUND

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;

“**Fund**” means the exchange traded fund 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;

“**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 exchange traded fund;

“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;

“Unit” means the share or unit of the Fund 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 Fund 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 Fund 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 Fund 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 Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or 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 Fund 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 Fund 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 or shares of the trust(s) or corporation(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 Fund, 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 Fund.

If and whenever the Fund 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 Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) 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 Fund’s or the Trustee’s (as the case may be) 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 such Fund’s or Trustee’s (as the case may be) 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 Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted;
- (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (iv) the Fund 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.moody's.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. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments.

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 rating categories.

Please refer to https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, with minimal 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 considered upper medium-grade and are subject to low credit risk.

Baa

Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess 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://ratings.moody's.io/ratings> for further details.

Rating Outlooks

A rating outlook is an opinion regarding the likely rating direction over the medium term. A rating outlook issued by S&P or Moody's will usually indicate whether the rating 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 2022

Our financial statements for the fiscal year ended 31 December 2022 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 29 April 2022 for our audited financial statements for the fiscal year ended 31 December 2021.

Balance Sheet for the Fiscal Year as of December 31, 2022 Citigroup Global Markets Europe AG, Frankfurt am Main

A s s e t s	EUR	EUR	EUR	PY KEUR
1. Cash reserve				
a) Cash on hand	-			-
b) Credit balances held at central banks of which: at the German Bundesbank (German Central Bank)	-	496,000,000.00		-
EUR				
c) Credit balances held at post giro offices	-		496,000,000.00	-
			<u>496,000,000.00</u>	
3. Receivables from banks				
a) Due upon demand		833,902,484.88		1,882,879
b) Other receivables		-	833,902,484.88	-
			<u>833,902,484.88</u>	
4. Receivables from clients				
of which: secured through in rem security				
interests (Grundpfandrechte)	-			-
EUR				
municipal loans	-			-
EUR				
			<u>27,863,340,864.81</u>	<u>24,800,615</u>
6a Trading portfolio assets				
			<u>11,703,562,901.99</u>	<u>47,750,128</u>
7. Equity investments				
of which: held in credit institutions	-			-
EUR				
held in financial services	-			-
institutions	-			-
EUR				
held in Securities Trading Firms	-			-
EUR				
			<u>1,135,714.07</u>	<u>1,136</u>

9. Trustee assets					
of which: trustee loans	EUR	446,355,693.57	(PY kEUR	338,042)	
					<u>338,042</u>
11. Intangible assets					
a) Internally generated industrial property rights and similar rights and assets		-			-
b) Paid-for concessions, industrial property rights and similar rights and assets		4,361.13			44
as well as licenses to such rights and assets		56,116,667.00			65,217
c) Goodwill		-			-
d) Prepayments		56,121,028.13			
					<u>8,508</u>
12. Tangible assets		17,064,116.17			
14. Other assets		1,097,787,682.27			9,030,656
15. Prepaid and deferred items		1,232,587.89			804
17. Excess of plan assets over post-employment benefit liability		33,205.00			35
Total assets		42,516,536,278.78			<u>83,878,064</u>

	EUR	EUR	EUR	Liabilities PY KEUR
1. Liabilities owed to banks				
a) Payable on demand		205,902,606.92		1,825,961
b) Having an agreed term or notice period		--	205,902,606.92	-
2. Liabilities owed to clients				
a) Savings deposits				
aa) with an agreed notice period of three months	--			-
ab) with agreed notice period of more than three months	--			-
b) Other liabilities				
ba) payable on demand	8,670,371,325.13			20,351,832
bb) having an agreed term or notice period	18,468,217,233.08	27,138,588,558.21	27,138,588,558.21	1,589,264
			9,901,841,734.57	47,725,053
3a Trading portfolio liabilities				
4. Trustee Liabilities				
of which: trustee loans			446,355,693.57	338,042
5. Other liabilities			802,056,857.75	8,582,291
			EUR 446,355,693.57 (PY KEUR 338,042)	

Income Statement

for the Period of January 1, 2022 through December 31, 2022

Citigroup Global Markets Europe AG, Frankfurt am Main

	EUR	EUR	EUR	01/01/2021 - 12/31/2021 KEUR
1. Interest income from				
a) Loans and money market transactions	210,866,022.42			87,280
2. Negative interest income from				
a) Loans and money market transactions	<u>19,314,119.47</u>	<u>191,551,902.95</u>		68,783
3. Interest expenses	259,830,465.59			106,700
4. Positive interest from loans and money market transactions	<u>8,527,244.48</u>	<u>-251,303,221.11</u>	<u>-59,751,318.16</u>	49,955
5. Current income from				
a) Shares and other variable-yield securities		<u>-</u>		-
b) Equity investments		<u>436,303.22</u>		385
c) Interests in affiliated enterprises		<u>-</u>	<u>436,303.22</u>	-
6. Commission income		<u>671,611,956.63</u>		720,919
7. Commission expenses		<u>274,334,615.40</u>	<u>397,277,341.23</u>	328,437
8. Net income from financial trading portfolio			<u>107,899,318.85</u>	96,520
included therein are deposits into special reserve accounts per § 340e (4) HGB EUR 3,500,000.00 (01/01/2021-12/31/2021 kEUR--)				
9. Other operating income			<u>146,071,665.24</u>	54,391
10. Allgemeine Verwaltungsaufwendungen				
a) Personnel expenses				
aa) wages and salaries	<u>215,999,886.43</u>			197,308
ab) social security contributions, pension and welfare expenses	23,077,576.90	<u>239,077,463.33</u>		22,864
of which: for pensions	EUR <u>15,189,962.16</u>			
b) other administrative expenses		<u>267,402,248.10</u>	<u>506,479,711.43</u>	231,776
11. Depreciation, amortisation and write-downs of tangible and intangible assets				
			<u>11,858,079.26</u>	10,081
12. Other operating expenses			<u>33,198,870.36</u>	14,776
13. Write-downs of, provisions for, receivables and certain securities and additions to loan reserves			<u>140,637.00</u>	-

14. Income from reversal of write-downs of receivables and certain securities, and income from reversal of loan reserves	-	-140,637.00	-
15. Write-downs on equity investments, interests in affiliated enterprises and long-term securities	-	-	-
16. Results from ordinary operations / Earnings before taxes	40,256,012.33		28,725
17. Taxes on income and earnings	32,930,698.23		11,826
18. Other taxes, to the extent not included in item 12	-	32,930,698.23	-
19. Income from loss transfers	-	-	-
20. Profits transferred pursuant to a profit pooling, profit transfer or partial profit transfer agreement	-	-	-
21. Annual net profit / loss	7,325,314.10		16,899
22. Profit carried forward/loss carried forward from prior year	-	-	16,899
23. Transfers from capital reserves	-	-	-
24. Transfers from earnings reserves	-	-	-
a) from legal reserve	-	-	-
b) from reserve for treasury shares	-	-	-
c) from reserves required by the Bank's articles of association	-	-	-
d) from earnings reserves	-	-	-
25. Transfers from capital participation rights (Genusrechtskapital)	-	-	-
26. Transfers to earnings reserves	-	-	-
a) to legal reserve	-	-	-
b) to reserve for treasury shares	-	-	-
c) to reserves required by the Bank's articles of association	-	-	-
d) to other earnings reserves	-	-	-
27. Replenishment of capital with profit participation rights (Genusrechtskapital)	-	-	-
28. Unappropriated earnings (balance sheet profit)	7,325,314.10		16,899

Citigroup Global Markets Europe AG, Frankfurt am Main

Notes to the Financial Statements for the Fiscal Year of January 1, 2022 through December 31, 2022

Principles of the Accounting

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.

CGME is not a capital markets-oriented corporation within the meaning of § 264d of the German Commercial Code (abbreviated herein as “HGB”) in combination with § 340a (1) HGB, because none of the securities issued by CGME were admitted for trading on an organized market within the meaning of § 2 (11) of the German Securities Trading Act (abbreviated herein as “WpHG”) in Fiscal Year 2022 and because CGME also did not apply for admission to trading such securities on an organized market within the meaning of § 2 (11) of the WpHG in the most recently completed fiscal year.

CGME is classified as a CRR credit institution in accordance with Directive (EU) No. 2019/2034 in combination with Article 4 para. 1, no. 1 of Regulation (EU) No. 575/2013 and is considered a public interest entity (“PIE”) within the meaning of § 316a no. 2 HGB in combination with § 1 para. 3d, sentence 1 of the German Banking Act (abbreviated herein as “KWG”)

The annual financial statements for the fiscal year of January 1 through December 31, 2022 (“Fiscal Year”) were prepared in accordance with the provisions of the 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 annual financial statements were prepared in accordance with § 244 HGB in the German language and in euro. Unless otherwise indicated in any individual sections, the figures shown are in million euros (EUR million) in an effort to provide better clarity. Due to rounding, certain numbers in the financial statements may do not add up exactly to the indicated sums.

The annual financial statements and the management report for Fiscal Year 2022 were adopted by the the Executive Board of CGME on April 14, 2023 and will be published in the Federal Gazette (*Bundesanzeiger*).

ACCOUNTING AND VALUATION POLICIES

(1) Cash reserve

The balance sheet item comprises balances with central banks, which are recognized at their nominal amount.

(2) Receivables

Receivables from banks and clients are recognized on the balance sheet at their nominal value plus accrued interest. For counterparty credit (or default) risks, appropriate risk provisioning in the amount of the anticipated default was taken into account, where necessary, in accordance with the valuation principles under commercial law.

Standard valuation allowances have been created on the balance sheet to account for general credit risks. In the absence of any historical loan defaults, these allowances now cover potential losses for the future, while factoring in current information and expectations regarding the risk situation. In accordance with IDW Statement IDW RS BFA 7 of February 8, 2020, the election or option of using a simplified model was exercised when determining the standard valuation allowances, whereby the standard allowances were determined for the first time in the reporting year using the so-called "IFRS 9 phased model". As of December 31, 2022, there were no loans or credits that would need to be allocated to risk levels 2 and 3 in terms of their expected counterparty default risk.

In addition to the client-specific credit ratings and expected credit default probabilities, the calculation of the standard allowances also takes into account, among other things, macroeconomic factors of the countries in which the CGME clients have their registered headquarters (e.g., gross domestic product, unemployment rate), which can generally influence the client-specific counterparty default risk. The respective factors are reviewed on a quarterly basis in terms of appropriateness and then adjusted, if necessary. Furthermore, the valuation parameters are subject to regular sensitivity analysis in order to determine the influence of macro-economic factors on expected loan losses.

An adjustment of the model results in the form of a Top Level Adjustment (TLA), for example, due to the knock-on effects of the Russian/Ukraine war and the COVI pandemic, was not carried out.

The change in the calculation of standard allowances covering general counterparty risks in the past fiscal year from the previous approach to the "IFRS 9 valuation method" is considered permissible in accordance with the provisions of § 246 (3) sentence 2 HGB in conjunction with § 252 (2) HGB, inasmuch as the change in the valuation method provides a better snapshot of the actual situation in accordance with generally accepted accounting principles. In addition, CGME's approach follows the risk identification and valuation methods applied within the Citigroup group.

Due to the change in the valuation procedure from the previous year, there was an insignificant additional valuation expense of EUR 0.1 million in the past fiscal year.

(3) Financial instruments of the trading portfolio

Accounting

In accordance with the statutory provisions of § 340e HGB, financial instruments traded on and off the stock exchange may be recognized at the trade date or at the settlement date. In view of Citigroup's uniform rules, according to which, from the point of view of the Group parent company, accounting as of the **settlement date** leads to a more relevant and reliable presentation of assets and liabilities in the balance sheet, CGME decided, in exercising its right of election in the past fiscal year and in deviation from the previous year before that, to record the trading transactions with financial instruments and the resulting receivables as of the settlement date for accounting and balance sheet purposes.

Compared with the previous year, this new accounting approach results in a total decrease of around EUR 2 billion as of December 31, 2022 in current receivables from counterparties that arose from trading in financial instruments that had previously already been recognized in the accounts as of the trade date. The amount of receivables recognized in this respect at the end of the previous year was like approximately EUR 2 billion. There were no effects on the results of operations of CGME in 2022 due to the change in settlement date accounting.

In its financial statements as of December 31, 2022, CGME has offset positive and negative fair values as well as the related settlement payments (cash collateral) of trading portfolio derivatives that were traded over-the-counter with central counterparties and non-central counterparties (OTC derivatives). The exercise of the **netting election** under German commercial law, in contrast to the previous year, results from an economic approach according to which an existing net position can, under certain conditions, be regarded as fictitiously fulfilled by the collateral that is provided in cash, thereby yielding an overall net presentation of the (bilateral) OTC derivatives.

A prerequisite for the netting is, among other things, a master agreement with an enforceable collateralization appendix (*Besicherungsanhang*) and a daily exchange of cash collateral from which only an insignificant credit or liquidity risk remains. Positive fair values from derivative financial instruments are initially offset or netted against negative fair values from derivative financial instruments. Subsequently, the settlement payments attributable to the fair values are netted against the positive fair values of derivative financial instruments. Furthermore, the collateral paid is netted against the negative fair values of derivative financial instruments. The amounts netted in this respect from the settlement payments and fair values are reported as a net amount under "Trading Assets" or "Trading Liabilities".

The volume resulting from the netting of the relevant OTC derivatives portfolios will lead to a corresponding decrease of the trading portfolio assets in the amount of around EUR 32 billion and to a decrease of the trading portfolio liabilities of around EUR 34 billion as of December 31, 2022. At the end of the Fiscal Year, the total volume of the trading portfolio assets that could be offset was approximately EUR 30 billion and the total volume of the trading portfolio liabilities that could be offset was approximately EUR 31 billion. The netting carried out in 2022 did not have any impact on the financial position and results of operations of CGME.

Valuation

The valuation of the **financial instruments of the trading portfolio** was carried out at fair value less a risk discount in accordance with sentence 1 of § 340e (3) 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. For unlisted financial instruments, comparative prices and the valuation results obtained by applying valuation models are used

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 sensibilities (Delta, Gamma) are also taken into account.

As of December 31, 2022 a **risk discount (value-at-risk; VaR)** calculated for regulatory purposes was applied to the financial instruments in the trading portfolio in accordance with § 340e (3) HGB. The VaR is generally calculated for the entire portfolio and deducted from the line item "trading assets". For purposes of calculating the value-at-risk, CGME uses a model that was developed by Citigroup and applied uniformly within the corporate group (IMA) and that is utilized to satisfy the equity capital requirements for market price risks. In this regard, the VaR reflects the maximum expected loss of a trading book during a certain holding period (CGME: 10 days) with a pre-defined probability (CGME: confidence level of 99%). Specific risks of certain stocks (beta risk) are likewise factored into the calculation. The calculation of the VaR is made using a Monte Carlo simulation, which is run for all trading activities on the basis of uniform assessment criteria. The volatilities of the individual market factors, which are included in the calculation as well as their correlation to one another, are computed on an empirical basis. Any increase in the risk discount over the previous year that is required in accordance with § 340e (4) HGB will be recognized in profit or loss and charged to net income from the trading portfolio in accordance with § 340c (1) HGB. Where a risk discount is applied to trading liabilities, it is accounted for as a surcharge, which is also recognized as an expense in determining the net trading income pursuant to IDW Statement IDW RS BFA 2.

Any exchange-traded derivatives that yielded settlement payments were recognized in the balance sheet under the items "Other assets" and "Other liabilities".

The model valuation of non-exchange-traded derivatives in the trading portfolio (with the parameters used in this process) requires assumptions and estimates, the scale of which depends on the transparency and availability of market data and on the complexity of the respective financial instrument. Since these are associated with uncertainties and may be subject to change, the actual results and values could differ from these estimates. The valuation methods applied include all factors and parameters that CGME believes would also be considered by other market participants. **Valuation adjustments** are made if the valuation methods do not take individual factors into account or if such action appears appropriate to eliminate weaknesses in the models used to date. Significant valuation adjustments relate, among other things, to the counterparty's credit risk (Credit Valuation Adjustment, CVA) and the Group's own credit risk (Debt Valuation Adjustment, DVA) for OTC derivatives.

For the funding valuation adjustments (FVA), the funding or refinancing expenses and income of unsecured derivatives and secured derivatives, for which only partial collateral is available or the collateral cannot be used for refinancing, are taken into account at fair value. For the calculation of the FVA, the refinancing effects were taken into account in the valuation when computing the present cash values *via* premiums on the discount rates.

Observable market data (e.g. credit default swap spreads) are used to determine the fair value of CVA, DVA and FVA where available. Changes in the fair value of the trading portfolio are netted and reported in the net result of the trading portfolio.

(4) Derivates

Derivative financial transactions are generally not recognized as pending transactions. If the derivatives are exchange-traded, they are recognized in the balance sheet at their market price. In the case of OTC derivatives, the market price is determined using standardized and customary valuation models (e.g. present value or option pricing models).

Acquired or issued structured products are recognized as assets or liabilities in accordance with IDW Statement IDW RS HFA 22.

(5) Equity investments

The **equity investments** are recognized at their cost of acquisition or, pursuant to § 253 (3) sentence 5 HGB, at the lower fair value, if there appears to have been a permanent impairment.

(6) Trust assets and trust liabilities

Assets and liabilities that CGME holds in its own name but for the accounts of third parties are shown on the balance sheet under the line items **trust assets and trust liabilities**. The valuation is made at the amortized cost or at the settlement amount.

(7) Intangible and tangible assets

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 in fiscal year 2019 the branches in Paris, Milan and Madrid were contributed as capital in connection with the CGME registered share capital increase, 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 ten-year period.

Tangible assets under the categories **leasehold improvements** and **construction in progress** are depreciated *pro rata temporis* over a period of five to ten years, and office and plant equipment over a period of three to ten years. The purchased **software licenses** are amortized over a period of one to five years.

Low-value assets are written off in full in the year of acquisition or production, provided that the net acquisition or production cost is EUR 800 or less.

(8) Other assets

Other assets are shown on the balance sheet at their nominal value. In the event of an impairment, the stock or market price or the lower fair value will be subject to a one-time (unscheduled) write-down in accordance with § 253 (4) HGB. Any anticipated losses that are identified in connection with the valuation of the collateral provided as part of the derivatives settlement (variation margins) are booked on the balance sheet as accrual for threatened losses in accordance with § 249 (1) sentence 1 HGB.

(9) Accrual and deferral items

The **accrual and deferral items** on the asset and liability side of the balance sheet include payments that are attributable to the bottom-line in future fiscal years

(10) Excess of plan assets over post-employment benefit liability

The excess of plan assets over post-employment benefit liabilities is yielded from the net balance of the fair value of the plan assets, which is placed out of the reach of all other CGME creditors and are used exclusively to settle liabilities from pension obligations or comparable long-term obligations, and the amount from the liabilities to be offset.

(11) Liabilities owed to banks and to clients

Liabilities owed to banks and to clients were stated at their settlement amount plus accrued interest.

(12) Other liabilities

The **other liabilities** were recognized at their settlement amount.

(13) Accrued liabilities

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 1.78% (12/31/2021: 1.87%) 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. Future salary and wage increases were estimated at 3.0%, and at the same time, a 2.3% 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 reasonable business judgment (*vernünftiger 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 that rate was calculated by the German Bundesbank for matching maturities. If recourse agreements existed, then they were taken into account in calculating the accrual (net result shown).

For **contracts and pending legal disputes** that could have an adverse effect on the Bank's financial condition, appropriate accruals were created, where necessary, as of the balance sheet.

(14) Funds for general bank risks

The balance sheet item, "**Funds for General Bank Risk**", was created pursuant to § 340g HGB and serves to hedge against general banking risks to the extent that this is necessary in accordance with reasonable business judgment based on the special risks inherent in CGME's line of business.

A total of EUR 3.5 million was allocated to the fund for general bank risks in the reporting year in accordance with § 340e (4) HGB.

(15) Currency translation

Currency receivables and liabilities were valued in accordance with § 340a (1) HGB in combination with § 256a HGB at the average rates that are published on the balance sheet date by the European Central Bank (ECB). To the extent that the ECB does not publish any average rates, the currency positions are recognized at market rates. For foreign exchange spot transactions or currency futures that were not yet settled, the valuation was made at the average spot or futures rates on the balance sheet date and applicable to their respective 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".

NOTES TO INDIVIDUAL ITEMS ON THE INCOME STATEMENT

(16) Interest income and expenses

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

The negative interest income and positive interest expenses are attributable mainly to the closed-out repo transactions and to the collateral given or received from the broker/dealer business.

(17) Commission income and expenses

The commission income is derived from the following components:

Type of Fee	2022 (EUR million)	2021 (EUR million)
Brokerage fees from affiliated enterprises	316	254
Commission fees from M&A/Advisory/Agency Business	262	338
Miscellaneous commission income	64	95
Commissions fees on foreign currency products	29	34
Total commission income	671	721
Commission expenses: Internal group pass-through of commission fees	- 274	- 328
Total commission expenses	- 274	- 328
Net commission income	397	393

(18) Net income from financial trading operations

The net income derives as follows from the respective results of the individual trading books and the respective "value adjustments" made at the end of the Fiscal Year:

	2022 (EUR million)	2021 (EUR million)
Result in "Equities and Index Risk" Trading Book	294	- 66
Result in "Currency Risk" Trading Book	- 199	172
Value Adjustments	13	- 9.2
Total	108	97

The valuation adjustments relate to the VaR as well as the additional valuation corrections made to cover the counterparty risk inherent in the financial instruments as well as CGME's own credit risk including the refinancing costs in connection with unsecured derivatives.

(19) Other operating income

This item comprises primarily income from the passing on costs to the shareholder and income generated from profit participation in equity and other trading transactions of the shareholder in the amount of EUR 81 million (2021: EUR 25 million). The cost pass-through of charges consist of mostly transaction fees and the expenses for the bank charge (*Bankenabgabe*) incurred in 2022. In addition, the item includes income from passing on expenses to affiliated enterprises of EUR 49 million (2021: EUR 25 million) as well as income from turnover tax refunds in the amount of EUR 16 million (2021: EUR 1 million).

(20) Other administrative expenses

The item "Other administrative expenses" consists of the following:

	2022 (EUR million)	2021 (EUR million)
Stock exchange fees	45	44
Custody fees	21	37
Expenses from intra-group offsetting	39	34
Pass-through costs affiliated enterprise	22	22
Legal, auditing and consulting costs	14	21
Transaction fees	26	19
Bank charges	40	10
Turnover tax	8	10
Rent expenses	10	8
Costs for using market data	10	8
Costs for temporary staffing	4	4
Miscellaneous	28	15
Total	267	232

(21) Other operating expenses

Other operating expenses mainly relate to significant expenses from the compounding of interest on pension obligations in the amount of EUR 6 million and the valuation of the corresponding pension plan assets in the amount of EUR 24 million.

(22) Income and expenses related to other accounting periods as well as extraordinary income and expenses

Extraordinary expenses were incurred in 2022 in the amount of approximately EUR 1 million in connection with the transfer of pension obligations to Metzler-Pensionsfonds AG to compensate for a shortfall in the plan assets that were likewise transferred.

The income components related to other accounting periods consisted mainly of turnover tax refunds based on the filing of amended sales tax returns for the years 2013 to 2019 in the amount of EUR 16 million and of income tax expenses for earlier years in the amount of EUR 7 million.

(23) Block on dividend payments

In the Fiscal Year, the total amount that was blocked from dividend distribution was EUR 10 million (prior year: EUR 82 million). Of this amount, EUR 3 million (prior year: EUR 69 million) relates to an amount blocked from dividend distribution due to the capitalization of plan assets in connection with pension obligations at fair value in accordance with § 268 (8) sentence 3 in conjunction with § 340a (1) HGB. The remaining EUR 7 million (prior year: EUR 13 million) blocked from dividend distribution is attributable to the difference between the amount recognized for pension provisions based on the relevant average market interest rate over the past ten fiscal years and the amount recognized for pension provisions based on the relevant market interest rate over the past seven fiscal years, as calculated in accordance with § 253 (6) sentence 1 HGB.

NOTES TO INDIVIDUAL ITEMS ON THE BALANCE SHEET

(24) Trading portfolio assets and liabilities

The trading portfolio assets and liabilities consist of the following:

Trading Portfolio				
	Asset	Liability	Asset	Liability
	12/31/2022 (EUR million)	12/31/2022 (EUR million)	12/31/2021 (EUR million)	12/31/ 2021 (EUR million)
1. Derivative Financial Instruments				
• FX-induced transactions				
o OTC-currency options and swaps	5,365	5,375	3,190	3,186
o Currency warrants Own issues	147	152	177	182
o Foreign exchange spot transactions	617	617	468	466
• Stock warrants own issues	3,645	3,777	7,808	8,473
• OTC equity and index options and swaps	1,681	1,655	1,009	1,001
• Index warrants – own issues	2,259	2,297	3,429	3,487
• Exchange-traded stock & index options	66	3	481	21
• OTC interest rate options and swaps	27,396	27,418	27,998	27,950
• Commodity warrants - own issues	107	109	138	142
• OTC commodity options and swaps	2,154	2,156	1,525	1,525
Subtotal	43,437	43,559	46,223	46,433
2. Bonds and other fixed-income securities	211	473	332	1,147
<i>of which marketable (börsenfähig)</i>	211	473	332	1,147
<i>of which exchange listed</i>	211	473	332	1,147
3. Stocks and other variable-yield securities	267	33	1,212	143
<i>of which marketable (börsenfähig)</i>	267	33	1,212	143
<i>of which exchange listed</i>	267	33	1,212	143
Total	43,915	44,065	47,767	47,723
- Other Market-Value Adjustments	8	1	-	2
- Value at Risk	- 9	-	- 17	-
- Netting	- 32,209	- 34,162	-**)	-**)
Total	11,704	9,902	47,750	47,725

***) Offsettable amounts as of December 31, 2021 in the amount of EUR 30,466 million (trading portfolio assets) and EUR 31,194 million (trading portfolio liabilities)

The large year-on-year decrease in trading portfolio assets and liabilities is attributable primarily to the accounting election that was taken for the first time in this past Fiscal Year and that offsets (nets) positive and negative fair values as well as related settlement payments (cash collateral) of derivatives which are held in the trading portfolio and traded over the counter with central counterparties and non-central counterparties (OTC derivatives).

(25) Trust transactions

CGME has been providing to its clients services that are part of its business services connected with derivatives. Under this so-called “**FCX Business**” (which stands for “Futures, Clearing and FX Prime Brokerage Business”), 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 as well as 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 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 2022, CGME is reporting **trust assets** and **trust liabilities** *vis-à-vis* the clients in an amount totaling EUR 446 million (12/31/2021: EUR 338 million).

(26) 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)						
	01/01/2022	Re-posting		12/31/2022	01/01/2022	Write-downs		Write-ups	Re-posting	12/31/2022
	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
Intangible assets acquired for consideration		0					0			
	96	0	96	31	9	0	0	40	56	65
		0					0			
Office and plant equipment		0					0			
	9	-1	8	7	1	0	-4	4	4	2
		0					0			
Leasehold improvements		14					0			
	16	0	29	15	2	0	0	17	13	1
		0					0			
Construction in progress		0					0			
	6	-6	0	0	0	0	0	0	0	6
		0					0			
Equity investments		0					0			
	1	0	1	0	0	0	0	0	1	1
		0					0			
		0					0			
Total	128	7	135	53	12	0	-4	61	74	75

(27) Information about affiliated enterprises

	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Receivables from banks	543	919
Receivables from clients	9,616	11,563
Other assets	307	78
Total	10,465	12,560
Liabilities owed to banks	98	548
Liabilities owed to clients	12,030	8,941
Other liabilities	4	5,674
Total	12,132	15,163

Transactions with related parties were conducted on an arm's length basis.

(28) Other assets

The line item, "Other Assets" (EUR 1,098 million; 12/31/2021: EUR 9,031 million), includes primarily receivables generated from variation/initial margins paid (EUR 828 million; 12/31/2021: EUR 8,924 million), as well as tax refund claims (EUR 27 million; 12/31/2021: EUR 45 million). The decrease in other assets is attributable to the netting of margins in connection with OTC derivatives in the amount of EUR 5,863 million, which was performed for the first time in the Fiscal Year.

(29) Prepaid and deferred items

Prepaid expenses (EUR 1 million; 12/31/2021: EUR 1 million) relate to prepaid fees and expenses.

Deferred (unearned) income of EUR 8 million includes payments received in the most recently completed Fiscal Year for services to be rendered in the subsequent period.

(30) Other liabilities

The line item, "Other Liabilities" (EUR 802 million; 12/31/2021: EUR 8,582 million), involves primarily liabilities arising from variation/initial margins received (EUR 744 million; 12/31/2021: EUR 8,541 million) and liabilities from taxes (EUR 48 million; 12/31/2021: EUR 29 million). The decrease in other liabilities is attributable to the netting of margins in connection with OTC derivatives in the amount of EUR 3,911 million, which was performed for the first time in the Fiscal Year.

(31) 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 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.

In December 2022, existing pension obligations owed to active and former employees in the amount of EUR 38 million were transferred to Metzler Pensionsfonds (MPF). To cover and assume the liabilities, fund shares in the special fund "MI-Fonds F42" and totalling EUR 38 million were transferred from the CTA to the Metzler Pensionsfonds. In addition, a cash transfer of EUR 0.9 million was made to ensure full coverage of the transferred liabilities. In accordance with Art. 28 EGHGB, no reserve was set aside for this indirect obligation based on commitments for current pensions.

To hedge the pension commitments, shares that are held in the special fund "MI-Fonds F42" (Costs of acquisition of EUR 55 million; prior year: "Rose" fund) 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 (EUR 56 million) against the settlement amount from the pension obligations (EUR 98 million). The settlement amount exceeding the plan assets as of the balance sheet date and equaling EUR 42 million (12/31/2021: EUR 15 million) is recognized on the balance sheet under the item, "Accruals for pensions and similar obligations".

As of December 31, 2022, there are also **obligations from pension plans resulting from bonus conversions**. The obligations under these plans are linked to the fair values of the corresponding special assets to be used as plan assets. In detail, the **balance sheet values** of the accruals for pensions and similar obligations are composed as shown in the table below, while factoring in the relevant available plan assets that were netted against the fair values in accordance with § 246 (2) sentence 2 HGB:

	12/31/2022		12/31/2021	
	EUR million	EUR million	EUR million	EUR million
I. General pension obligations				
Settlement amount	102		125	
less				
plan assets *)	- 56	46	- 107	18
II. Pension obligations from bonus conversions **)				
Settlement amount	71		72	
less				
plan assets	- 60	11	- 60	12
Excess of plan assets over post-employment benefit liabilities		-		-
Accruals for pensions and similar obligations		57		30

*) Acquisition costs EUR 55 million

**) Acquisition costs EUR 57 million

(32) Tax reserves

The tax provisions in the amount of EUR 7 million (prior year: EUR 19 million) relate exclusively to the corporate income taxes expected to be payable by the foreign permanent establishments for the recently completed Fiscal Year and for previous tax assessment periods.

(33) Other accrued liabilities

The other accrued liabilities consist of the following:

Accruals for	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Bonus payments to employees	104	92
Outstanding invoices	40	24
Outstanding vacation	9	8
Audit costs	6	4
Personnel costs	8	4
Total	167	132

In calculating the provisions set aside for early retirement obligations (EUR 0 million; 12/31/2021: EUR 0 million), claims arising from pledged reinsurance policies and totaling EUR 0.3 million

(12/31/2021: EUR 0.5 million) were reconciled against the settlement amount of EUR 0.3 million (12/31/2021: EUR 0.4 million). The plan assets exceeding the settlement amount and totaling EUR 0.03 million (12/31/2021: EUR 0.03 million) were reported under the balance sheet item, "Excess of plan assets over the post-employment benefit liability".

(34) Equity capital

The equity capital has developed as follows:

EUR millions	Subscribed capital	Capital reserve	Earnings Reserves		Balance sheet profit	Total
			Legal reserve	Other earnings reserves		
As of 1/1/2022	242	2,919	33	45	17	3,256
Capital infusions	-	487	-	-	-	487
Allocation to earnings reserves				17	- 17	-
Allocations from net income for 2022	-	-	-	-	7	7
As of 12/31/2022	242	3,406	33	62	7	3,750

Subscribed capital

The **subscribed capital**, which equals EUR 242 million and is unchanged from the previous year, is divided into 9,481,592 no par shares. 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.

Capital reserves

As a result of an additional capital infusion of USD 500 million made by the sole shareholder Citigroup Global Markets Limited (CGML), London/UK, in August 2022 into equity capital in accordance with § 272 (2) no. 4 HGB, the capital reserve increased by approx. EUR 487 million (converted) to a total of EUR 3,406 million.

(35) Non-recognized transactions and other obligations

Deferred taxes

The calculation of deferred taxes was based on a combined tax rate of 31.93%. After offsetting deferred tax assets and liabilities, there is an excess of deferred tax assets as of the balance sheet date, which excess has not been recognized upon exercising the accounting election pursuant to § 274 (1) HGB.

(36) Breakdown of residual terms to maturity

	12/31/2022 (EUR million)	12/31/2021 (EUR million)
Receivables from banks	834	1,883
with a term to maturity		
- due upon demand	834	1,883
- due within three months	0	0
Receivables from clients	27,863	24,801
with a term to maturity		
- due upon demand	10,379	8,190
- due within three months	14,898	14,033
- due between three months and one year	1,236	1,871
- due between one year and five years	1,349	707
Liabilities owed to banks	206	1,826
with a term to maturity		
- due upon demand	206	1,826
- due within three months	0	0
Liabilities owed to clients	27,139	21,941
with a term to maturity		
- due upon demand	8,670	8,902
- due within three months	11,118	8,563
- due between three months and up to one year	2,996	2,126
- due between one year and five years	3,885	1,555
- due after five years	469	795

(37) Shareholding

The equity investments (EUR 1.14 million), which are unchanged compared to the prior fiscal year, are not marketable and relate to the shares in True-Sale International GmbH, Frankfurt am Main (EUR 0.15 million) and in Börse Stuttgart CATS GmbH, Stuttgart (EUR 0.99 million).

(38) Foreign currency

The total amount of assets denominated in foreign currencies as of the balance sheet date is EUR 11,721 million (12/31/2021: 6,737 million); liabilities include foreign currency amounts totaling EUR 11,827 million (12/31/2021: 7,315 million).

MISCELLANEOUS NOTES

(39) Derivative financial instruments

At the end of fiscal year 2022, CGME's derivatives business included the following **transactions** allocated to the respective trading books:

Trading Book	Types of Transactions
Foreign Currency Risks	<ul style="list-style-type: none"> • OTC currency option transactions and swaps • Currency warrants • Foreign exchange spot transactions
Equities and Index Risks	<ul style="list-style-type: none"> • Shares and other variable-income securities in the trading portfolio • OTC index & stock options and swaps • Stock and index warrants • Exchange-traded futures and option transactions on equities and stock indexes as well as index and equity certificates
Interest rate	<ul style="list-style-type: none"> • OTC interest rate options and swaps
Other Trading Operations	<ul style="list-style-type: none"> • Exchange-traded futures • Warrants on commodities and precious metals • OTC options and swaps on commodities and precious metals

The nominal values and fair values of derivatives transactions show the following **residual terms to maturity** as of December 31, 2022:

EUR million	Nominal Value				Fair Value
	Terms to Maturity				
Trading Book/ Type of Transaction	< 1 year	≥ 1 year, ≤ 5 years	> 5 years	Total	Total
Foreign Currency Risks					
OTC-currency options and currency swaps					
o Bought	109,587	44,395	20,030	174,012	5,365
o Sold	57,279	40,650	17,891	115,820	- 5,375
Currency warrants own issues					
o Bought	705	1,640	-	2,345	147
o Sold	770	1,681	-	2,451	- 152
Exchange-traded currency futures					
o Bought	20,969	1,222	15	22,206	617
o Sold	20,981	1,227	15	22,223	- 617
Equities and Index Risks					
Equity warrants own issues					
o Bought	8,735	5,698	-	14,432	3,644
o Sold	12,283	6,491	-	18,774	- 3,777
OTC-stock options and equity swaps					
o Bought	10,115	10,825	3,780	24,720	1,626
o Sold	10,676	10,606	3,683	24,965	- 1,600
OTC-index options and index swaps					
o Bought	344	97	-	441	55
o Sold	344	97	-	441	- 55
Index warrants own issues					
o Bought	10,161	14,125	-	24,286	2,259
o Sold	11,592	14,304	-	25,896	2,297
Exchange-traded index futures					
o Bought	61	-	-	61	- 1.4
o Sold	58	-	-	58	0.6
Exchange-traded equity and index options					
o Bought	4,059	601	-	4,660	66
o Sold	101	4	-	105	- 3
Index and equity certificates own issues					
o Bought	104	143	-	247	211
o Sold	349	156	-	506	- 473
Interest rate transactions					
OTC-interest options and interest rate swaps					
o Bought	34,670	152,919	136,508	324,097	27,396
o Sold	36,403	153,380	137,182	326,966	- 27,418

EUR million	Nominal Value				Fair Value
Trading Books/ Type of Transaction	Terms to Maturity				Total
	< 1 year	≥ 1 year, ≤ 5 years	> 5 years	Total	
Other Trading Operations					
OTC-options and swaps on commodities, base and precious metals					
○ Bought	7,770	4,656	2	12,428	2,154
○ Sold	7,771	4,632	2	12,405	- 2,156
Warrants on commodities and precious metals own issues					
○ Bought	15	477	-	492	107
○ Sold	17	484	-	501	- 109
Exchange-traded futures on commodities and precious metals					
○ Bought	4	-	-	4	0
○ Sold	-	-	-	-	-

(40) Other financial obligations

For the years until 2044, other financial obligations from contracts in connection with the lease of the business premises equal EUR 89 million. Financial obligations from leases amount to EUR 2 million, including EUR 1 million to affiliated enterprises.

Furthermore, there are indirect obligations for pension obligations outsourced to Metzler Pensionsfonds (MPF). Please refer to our comments under Note (31) "Provisions for pensions and similar obligations".

(41) Cash flow statement

CGME refinances itself primarily within the Citigroup Group. Cash investments and other financial investments are made exclusively in the short-term segment. Apart from that, we refer to the cash flow statement as set forth below.

Cash Flow Statement per German Accounting Standard No. 21	Fiscal Year	Fiscal Year
	01/01/- 12/31/2022	01/01/- 12/31/2021
	EUR million	EUR million
Annual Net Profit	7	17
<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 fi-	38	5
Changes in accruals	-1	-61
Change in other non-cash expenses/income	4	-
Gain/loss from the sale of financial and tangible assets	0	0
Other adjustments (in net terms)	78	32
Subtotal:	126	-7
<i>Change in assets and liabilities from current operating activities:</i>		
<i>Receivables:</i>		
- from banks	1,049	-204
- from clients	-3,171	-11,039
Trading portfolio assets	36,046	-999
Other assets from current operating activities	7,932	-1,341
<i>Liabilities:</i>		
- owed to banks	-1,620	1,590
- owed to clients	5,306	9,335
Securitized liabilities	-	-
Trading portfolio liabilities	-37,823	1,222
Other liabilities from current operating activities	-7,772	-38
Interest and dividend payments received	234	155
Interest paid	-279	-175
Income tax payments	-33	-12
Cash flow from current operating activities	-5	-1,513
<i>Payments received from the outflow of</i>		
- Financial assets	42	102
- Tangible assets	8	0
<i>Payments made for investments in</i>		
- Financial assets	-16	-
- Tangible assets	-19	-7
Change in cash resources based on investing activities (in net terms)	-	-
Cash flow from investing activities	14	95
Payments received from contributions to equity capital	487	1,418
<i>Payments made to company owners:</i>		
- Dividend payments	-	-
- Other outgoing payments	-	-
Change in cash resources other capital (in net terms)	-	-
Cash flow from financing activities	487	1,418
Cash and cash equivalents at the end of previous period	0	0
Cash flow from current operating activities	-5	-1,513
Cash flow from investing activities	14	95
Cash flow from financing activities	487	1,418
Cash and cash equivalents at the end of the period	496	0

(42) Annual accounts auditor

The total fees charged by the annual accounts auditor for the Fiscal Year encompass the annual accounts auditing services (EUR 1.8 million) as well as other services (EUR 0.0 million).

(43) Recommendation on allocation of profits

The Executive Board recommends allocating the annual net profit for Fiscal Year 2022 in the amount EUR 7 million into the earnings reserve account.

(44) Governing bodies (officers and directors) of CGME as well as mandatory disclosures pursuant to § 285 no. 10 HGB in combination with § 340a (4) Nr. 1 HGB

Supervisory Board

Members

Ms. Dagmar Kollmann, Vienna, Laywer, independent Supervisory Board member,
- Chairperson of the Supervisory Board -

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
 - Deutsche Telekom AG, Bonn, Germany
 - Unibail-Rodamco-Westfiel SE, Paris, France

Ms. Barbara Frohn, London, Bank Director, Citigroup Global Markets Limited, London,
Deputy Chairperson of the Supervisory Board -

Mr. Leonardo Arduini, London, Bank Director, Citigroup Global Markets Limited, London

Mr. James Bardrick, Coggeshal Hamlet, Bank Director, CEO, Citigroup Global Markets Limited, London

Mr. Tim Färber, Kelsterbach, Bank employee, Employee Representative

Mr. Dirk Georg Heß, Friedrichsdorf, Bank employee, Employee Representative

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
 - Börse Stuttgart AG, Stuttgart, Germany.

Members

Dr. Jasmin Kölbl-Vogt, Frankfurt am Main, Legal, Bank Director,
Chairperson of the Executive Board / Interim CEO – term commencing January 1, 2023

Ms. Kristine Braden, Frankfurt am Main, CEO, Bank Director,
Chairperson of the Executive Board – term ending December 31, 2022

- Membership on other supervisory boards required by law or similar domestic and foreign supervisory bodies
 - Bank Handlowy w Warszawie S.A., Warsaw, Poland

Mr. Peter Kimpel, Frankfurt am Main, Head of BCMA, Bank Director – term ending March 31, 2023

Ms. Sylvie Renaud-Calmel, Paris, Head of Markets, Bank Director

Mr. Oliver Russmann, Bad Vilbel, CFO, Bank Director

Frau Amela Sapcanin, Frankfurt am Main, CRO, Bank Director,

Frau Jean Young, Königstein im Taunus, O&T, Bank Director.

(45) Information about significant events following the balance sheet date

Subject to pending regulatory approval, Ms. Silvia Carpitella was appointed to serve as Chairperson of the Executive Board. Expected start date in this function is May 1, 2023.

Subject to pending regulatory approval, Mr. Stefan Hafke was appointed to serve as member of the Executive Board for the BCMA business division. Expected start date in this function is May 1, 2023. In this function, Mr. Stefan Hafke will be taking over the BCMA business division from Mr. Peter Kimpel, who resigned as a member of the Executive Board effective March 31, 2023.

There were no other significant events that occurred following the end of the Fiscal Year and that have not yet been addressed in these annual financial statements.

(46) Information on remuneration

Total remuneration for members of the **Executive Board** in the Fiscal Year (including granted stock options) was EUR 7.7 million. As of the end of the Fiscal Year, pension obligations totaled EUR 0.1 million.

Pension obligations owed to active members of the Executive Board were transferred to a pension fund in Fiscal Year 2022 in exchange for payment of a contribution (see explanations in Note (31)).

The total remuneration for the former members of management bodies and their survivors was EUR 1.9 million in the reporting year.

Funds set aside for pensions and early retirement obligations owed to former members of the management bodies and their survivors totaled EUR 24.7 million. Pension obligations owed to former members of the management bodies were transferred to a pension fund in Fiscal Year 2022 in exchange for payment of a contribution.

Due to the stock-based remuneration, approximately 48.6 thousand shares at a fair value totaling USD 2.5 million, which is roughly equivalent to EUR 2.3 million, were granted as variable compensation.

In the recently completed fiscal year, expenses totalling EUR 0.4 million were incurred for supervisory board compensation benefits.

As of the end of the year, there were no outstanding loans to members of the CGME Executive Board and Supervisory Board.

(47) Employees

During the Fiscal Year, CGME employed an average of 558 persons. Of that amount, 539 were full-time employees and 19 persons were part-time employees. No trainees were on staff.

The average number of employees in Fiscal Year working within CGME and its branches can be shown as follows.

	2022	2021
Citigroup Global Markets Europe AG – Main Branch	257	249
Citigroup Global Markets Europe AG – France Branch	148	127
Citigroup Global Markets Europe AG – Spain Branch	64	50
Citigroup Global Markets Europe AG – Italy Branch	52	54
Citigroup Global Markets Europe AG – UK Branch	36	37
Summe	558	517

(48) 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. Both consolidated financial statements can be viewed at the website, www.citigroup.com.

Frankfurt am Main, April 14, 2023

The Executive Board

Dr. Jasmin Kölbl-Vogt (CEO)

Sylvie Renaud-Calmel

Oliver Rusmann

Amela Sapcanin

Jean Young

INDEPENDENT AUDITOR'S REPORT

To Citigroup Global Markets Europe AG, Frankfurt am Main

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit 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, 2022 and the income statement for the financial year from January 1, 2022 to December 31, 2022 and the notes to the financial statements, including the presentation of the recognition and measurement policies.

In addition, we have audited the management report of Citigroup Global Markets Europe AG for the financial year from January 1, 2022 to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the parts of the management report listed in section "OTHER INFORMATION".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2022 and of its financial performance for the financial year from January 1, 2022 to December 31, 2022 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 those parts of the management report mentioned under "OTHER INFORMATION".

Pursuant to Section 322 (3) Sentence 1 HGB (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 AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as the "EU Audit Regulation") and in compliance with German Generally Accepted

Standards for Financial Statements 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) letter (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited pursuant to Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and 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, are of most significance in our audit of the annual financial statements for the financial year from January 1, 2022 to December 31, 2022 were. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We have identified the following matter as the key audit matter to be reported in our auditor's report:

MEASUREMENT OF FINANCIAL INSTRUMENTS IN THE TRADING PORTFOLIO WITH INPUT PARAMETERS NOT OBSERVABLE IN AN ACTIVE MARKET

Facts

As of December 31, 2022, Citigroup Global Markets Europe AG has trading assets of EUR 11,703.6 million (27.5 % of total assets) and trading liabilities of EUR 9,901.8 million (23.3 % of total assets).

Transactions in the trading portfolio are initially measured at cost. In accordance with Section 340e (3) HGB, they are subsequently measured at fair value less a risk discount. Transactions in the trading portfolio relate to issuances of warrants and certificates, the associated hedging transactions, e.g. OTC and exchange-traded derivatives, as well as any repurchases arising from market-making activities. Furthermore, the trading portfolio includes derivative financial instruments as well as equities and other non-fixed income securities.

In some cases, no market prices can be observed for warrants, certificates and OTC derivatives. The fair values must then be determined on the basis of recognized valuation methods. The selection of the valuation models and their parameterization are subject to discretion. As the subsequent measurement of financial instruments in the trading portfolio with input parameters that are not observable in an active market is highly dependent on assumptions and judgments due to the complexity of the valuation methods and models used, and trading assets and trading liabilities represent the second largest balance sheet items, we have identified this matter as a key audit matter.

The disclosure on the accounting policies and the composition of derivative transactions in the trading portfolio are included in the notes to the financial statements in section "Accounting policies - (3) financial instruments held for trading" and subsection "Explanatory notes to the balance sheet - (24) Trading portfolio assets and liabilities" respectively.

Audit response and findings

Based on our risk assessment and evaluation of the risks of error, we based our audit opinion on both control-based and substantive audit procedures. Accordingly, we performed the following audit procedures:

First, we obtained a comprehensive understanding of the development of the financial instruments in the trading portfolio, the associated risks and the internal control system in relation to the valuation of the financial instruments in the trading portfolio. In order

to assess the adequacy of the internal control system with regard to the valuation of financial instruments for which no market prices are observable, we made inquiries and inspected the relevant documents.

We have assessed the effectiveness of the relevant controls of the company's internal control system for the valuation of these financial instruments, in particular with regard to price verification independent of the trading area as well as model validation.

In addition, our valuation specialists performed an independent revaluation as of the balance sheet date for selected financial instruments in the trading portfolio in a deliberate selection and supplementary sample and compared the results with the values determined by the bank.

Based on our audit procedures, we were able to satisfy ourselves that the valuation models used by the legal representatives to determine the fair values of the trading portfolios for which no prices are observable on the market are appropriate and in accordance with the applicable valuation principles. Overall, the company's valuation parameters on which the valuation is based are appropriate.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement contained in section 6 of the management report,
- the corporate governance statement contained in section 5 of the management report.

Our audit opinions on the financial statements and the management report do not cover the other information and, consequently, we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- is materially inconsistent with the annual financial statements, management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, 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, the executive directors are 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 (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are 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, the executive directors are 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, the executive directors are 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 management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND 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 audit 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 Statements 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 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 audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and the 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 those systems of the company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of executive directors' 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 our 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 audit 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 the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit 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, 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 actions taken or safeguards applied to eliminate independence threats.

From the matters we communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditors by the annual general meeting on April 27, 2022. We were engaged by the chairwoman of the supervisory board on April 27, 2022. We have been the auditor of Citigroup Global Markets Europe AG without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (long form audit report).

In addition to the financial statements audit, we have provided to the audited company or companies under that company's control the following services that are not disclosed in the annual financial statements or the management report:

- Consent Letter to include our audit opinion for the financial year from January 1 to December 31, 2021 in a listing document for the Hong Kong Stock Exchange.
- Audit opinion on the assessment of the appropriateness of the option pricing models subject to approval as part of the approval procedure when using self-calculated delta factors for options and warrants for the proper determination of capital ratios in accordance with Article 92 (1) of Regulation (EU) No. 575/2013.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Caroline Gass.

Frankfurt am Main, April 18, 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Signed by Grunwald
Wirtschaftsprüfer
(German Public Auditor)

Signed by Gass
Wirtschaftsprüferin
(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 2022. References to page numbers on the following pages are to the page numbers of such document.

4 Risk Report

Risk Report

4.1 General Principal of our Risk Management

The focus of our business operation as CRR credit institution, 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, suitable 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 2022, 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, and the equivalent guidelines of the European Central Bank concerning new quantification procedures and enhanced model governance development was further developed.

Moreover, the **process for identifying risk and assessing significant risks** was upgraded, and the global approach was adjusted inasmuch as this was possible in accordance with local regulatory requirements and the CGME-specific business model. For the first time, reciprocal effects of sustainability risks on other material risk categories were methodically identified and evaluated in this context. Furthermore, quantification methods for calculating the economic capital requirement, the adverse stress tests and other calculation methods have been enhanced and subjected to global model validation to ensure the appropriateness of the methods. While the use of the IMM Model to quantify regulatory capital requirements for credit risk has been approved by the supervisory authority, the Bank is currently still in the approval process for the IMA Model (status: “Temporary Non-Objection to Model Usage”) to calculate capital requirements resulting from market price risks. Further developments in the approval processes (the approval of new products in accordance with AT 8 of MaRisk is based on a new database solution; the approval process pursuant to AT 8.2 MaRisk was restructured) and the governance structure (adjustments to the reporting system, revision of key elements of the documented policies, the implementation of a risk committee and model governance committee for quantification procedures, used in the ICAAP, below the Executive Board level) round out the most significant improvements in the Bank’s management.

In view of the geopolitical crises and the resulting negative impact on the overall economic situation, which manifested itself primarily in a high inflation rate, reduced macroeconomic growth momentum and pressure on the global financial markets, the Bank performed *ad hoc* stress tests and simulations on the main risk drivers in order to identify the potential impact on CGME at all times and to be able to take appropriate actions. At no time during the past fiscal year were any significant additional risks identified through the analytical procedures described above, nor did any potential losses materialize.

Risk Report

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 are shown below:

Overall Responsibility: Executive Board and Supervisory Board of CGME		
Type of Risk	Risk Management	Risk Monitoring
Market risks	Asset Liability Committee and Trading-Desks	Risk Controlling
Liquidity risks	Asset Liability Committee and Corporate Treasury	Risk Controlling
Counterparty risks	Asset Liability Committee and Trader Desks	Risk Controlling
Operational and compliance risks	Business Risk, Compliance and Control Committee (BRCC)	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 Country Coordination Committee (CCC)	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 manifest.

Analogously to the global approach, CGME uses the so-called "**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 also gets brought in on compliance-relevant issues as a second line of defense. The 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 Defense. Compliance with such requirements, as determined by the CGME Executive Board, is administered through the Manager Control Assessment Process ("MCA").

Risk Report

In connection with the risk management, the following **committees** have been formed (among others):

Committee	Key Tasks	Membership
Business Risk, Compliance und Control Committee (BRCC)	<ul style="list-style-type: none"> Evaluation of, and reporting on, overall risk situation of <ul style="list-style-type: none"> CGME CNA Branch, Frankfurt am Main CKG as well as CEP Branch, Frankfurt am Main Control Committee for the 2nd Line of Defense 	<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 Risk Controlling Corporate Treasury
Executive Board	<ul style="list-style-type: none"> Evaluation of, and reporting on, the overall risk situation while factoring in all significant risk categories Approval of all strategic analyses and documents (e.g., business and risk strategy, RAS, ICAAP) 	<ul style="list-style-type: none"> Members of the Executive Board
Model Control and Review Committee (EMCRC)	<ul style="list-style-type: none"> Evaluation of the adequacy of the IMM model 	<ul style="list-style-type: none"> Chief Risk Officer Chief Financial Officer Additional functions within Risk and Finance
Internal Model Control Committee (IMACC)	<ul style="list-style-type: none"> Evaluation of the adequacy of the IMA model 	<ul style="list-style-type: none"> Chief Risk Officer Chief Financial Officer Weitere Funktionen innerhalb Risk und Finance
ICAAP and Stress Testing Model Control and Review Committee (ISTMCRC)	<ul style="list-style-type: none"> Evaluation of the Appropriateness of the ICAAP and Stress Testing Models 	<ul style="list-style-type: none"> Chief Risk Officer Chief Financial Officer Additional functions within Risk and Finance
Risk Management Committee (RMC)	<ul style="list-style-type: none"> Evaluation of the overall situation related primarily to market price risks and counterparty risks. Preparation for decision-making by the CGME Executive Board 	<ul style="list-style-type: none"> Chief Executive Officer (co-chair) Chief Risk Officer (co-chair) Additional Executive Board members from the business and function areas Other functions

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 Operational Risk Manager routinely reports to the CRO and to the Business Risk, Compliance and Control Committee (“BRCC”) about the controls over and findings about the risk situation, particularly the operational risks, at CGME. The meetings of the BRCC are held regularly on a quarterly basis. The CRO also reports to the Supervisory Board during the regular quarterly meetings of the committees and, if necessary, when special situations arise.

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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 Part 3 of the August 16, 2021 version of the MaRisk).

In fiscal year 2022, two additional committees below the Executive Board level were formed in an effort to strengthen the Bank's committee structures and decision-making processes. The ICAAP and Stress Testing Model Control and Review Committee ("ISTMCRM") complements the Model Committees for the Use of IMA and IMM Models with certain quantification procedures that are deployed for the calculation of the economic capital requirement ("ICCAP and Stress Testing"). Like the Model Committees, the Risk Management Committee ("RMC") was set up by the CGME Executive Board. The RMC essentially functions as a preparation and escalation point for market price risks and counterparty credit risks and for other key risk governance issues.

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 (counterparty 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., reputation risk or 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.

The **RAS** stipulates 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. It also includes the establishment of a so-called "management buffer" through which the Executive Board considers strategic planning risks and planning uncertainties. The main idea here is to ensure reasonable liquidity and equity capital resources in the normative and economic perspective of 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 AT 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.

Risk Report

The maximum risk or “risk appetite” is defined in the form of 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). Calculations about risk-bearing capacity during the course of the year are performed on a monthly basis. The results are an integral part of the monthly reporting to the Executive Board. On a quarterly basis, the Bank also calculates a so-called “ICAAP variance analysis”, which ensures a reconciliation with the annual ICAAP approved 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”, “ALCO” and Risk Management Committee. Furthermore, topics that arise in connection with the use of the IMA, UMM and ICAAP models will be escalated *via* the implemented bodies and committees (IMACC, EMCRC and ISTMRC).

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

Economic capital planning

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 in order to protect the long-term safety of the company’s inherent value. The economic capital 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 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.

Risk Report

CGME has identified:

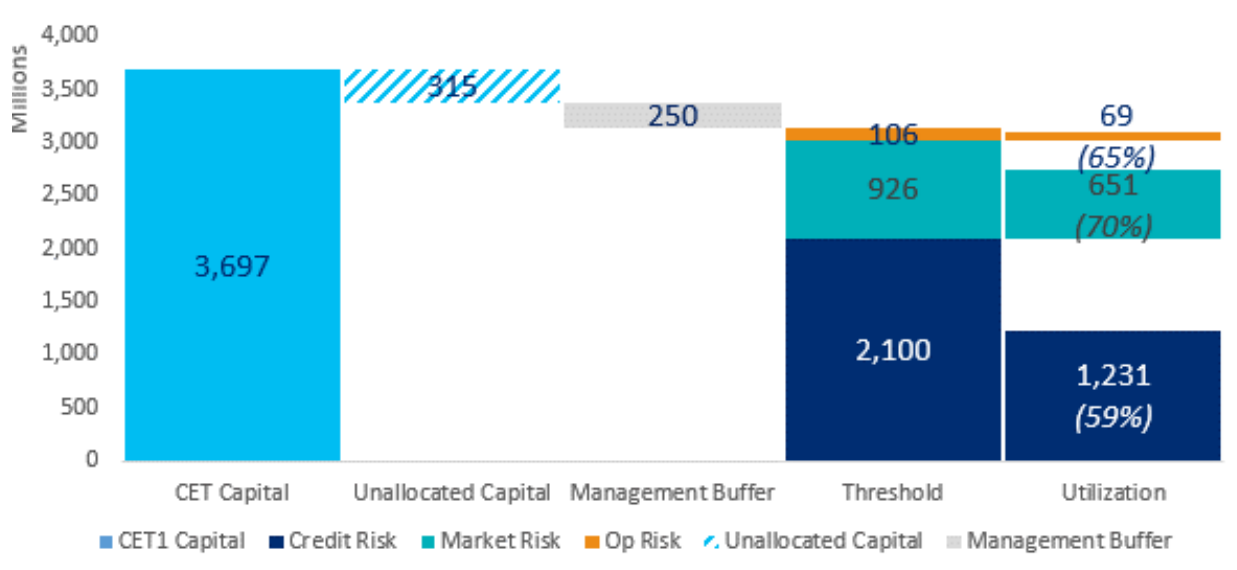
- the concentration risks on counterparty risks
- the CCP membership risks
- the operational risks
- the risks from pension funds (no longer considered significant under the criteria applied for determining significance, but still taken into account in the ICAAP according to the prudence principle (*Vorsichtsprinzip*))
- the risks from reputation risk and strategic risks as stress simulation for setting the capital buffer

as significant economic risks that must be covered by equity capital in addition to the normative approach. The basis for the foregoing is a risk inventory (risk assessment) carried out at least annually or on an occasion-related 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 and quantifiable risk categories.

As of December 31, 2022, the risk coverage potential (Tier 1) totaled EUR 3,697 million, which can be broken out as follows in accordance with the regulatory requirements and the capital buffer set by the Executive Board:



The Executive Board decided in 2022 to raise the management capital buffer from EUR 200 million to EUR 250. The size of the management capital buffer is determined on the basis of stress test simulations of strategic risk and the reputational risk, as well as a volatility calculation of risk-weighted assets. In the past year, capital increases were implemented in order to cover higher capital requirements resulting from the change in strategic orientation following BREXIT. Overall, equity risk coverage was adequate enough to meet the capital adequacy requirements. Of the total available equity of EUR 3,697 million, a total of EUR 3,132 million was determined as risk appetite at year-end 2022, of which EUR 1,951 million was utilized. This corresponds to a utilization rate of 62% of the prescribed threshold.

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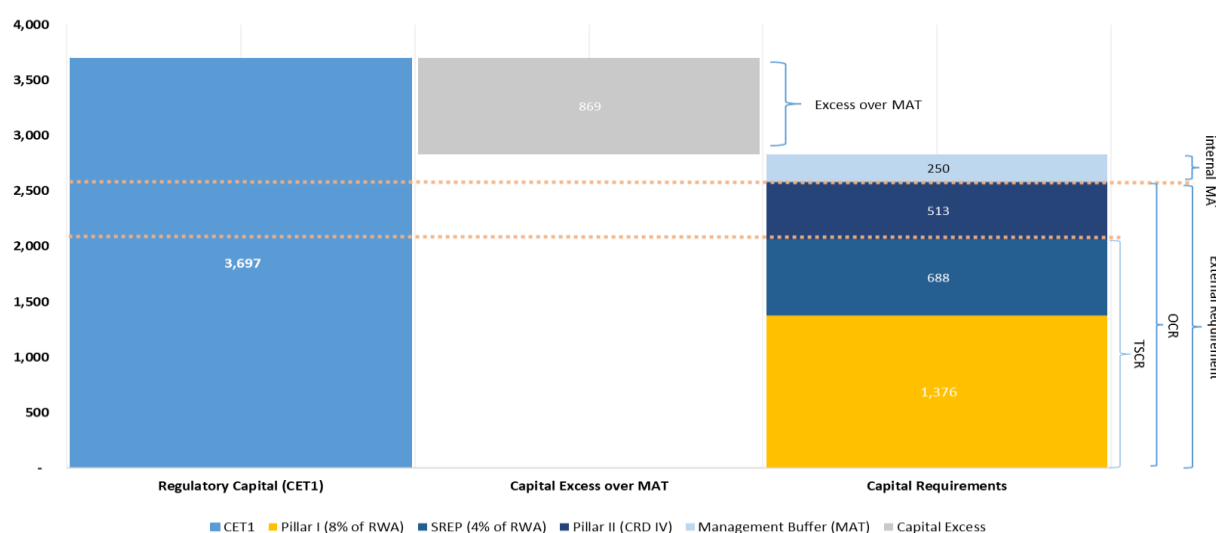
The **risk-bearing capacity (capital adequacy)**, which is also calculated during the year by way of monthly and quarterly procedures, was guaranteed at all times during the 2021 fiscal year, and CGME had an adequate risk capital buffer. The capital projection carried out as part of the annual risk strategy process also revealed that the economic and normative 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.

Normative capital planning

In the context of normative capital management in the base scenario, the requirements for compliance with regulatory key figures were met for the entirety of 2022. In addition to planning, a quarterly review of the planning assumptions and the actual risk development was undertaken as part of the ICAAP variance analysis and reported to the Executive Board in accordance with § 25 of the German Banking Act (“KWG”). In addition to the pure capital requirements, the required regulatory key figures such as the leverage ratio and large exposure limits were complied with and monitored. Normative capital management takes into account business performance over a period of three years and requires constant compliance with and monitoring of all regulatory key figures. Requirements extending beyond Pillar 1 are taken into account in the economic analysis.

In the normative perspective, the risk strategy and regulatory requirements were compliant as of December 31, 2022. At the end of the year, the equity base was in an adequate range, registering a capital surplus of EUR 869 million with a CET1 capitalization of EUR 3,697 million and a resulting CET1 ratio of 21.49%. With respect to the regulatory capital adequacy requirements, the Bank complied with an SREP buffer of 4% on each reference date last year. Additional capital ratios, such as the leverage ratio at 8.10%, were satisfied in addition to regulatory requirements, including the internal so-called management buffer of EUR 250 million.

The key figures include the capital increase of USD 500 million that was carried out on August 2, 2022 and is equivalent to approximately EUR 487 million. A new target CET1 ratio of 17.5% was adopted by the Board. Both measures are intended to support the planned growth in accordance with the CGME Strategy 2023-2025 and the new Target Operating Model.



Risk Report

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 against the backdrop of the CGME business model:

- Credit risk (counterparty credit risk and issuer risk);
- Market price risk;
- Liquidity risk (no quantification in the sense of an economic capital requirement);
- Operational risk;
- Compliance risk;
- Strategic risk;
- Reputation risk and

Since 2022, pension fund risk has no longer been managed as a separate risk category, but has instead been ascribed to market price risks (non-trading book risks).

Additional risks, which are determined as a sub-function of the significant risk categories listed above, are monitored in separate management committees. These risks include, but are not limited to, technology risks, cyber risks and model risks. In this context, sustainability risks (“ESG”) and concentration risks (inter-risk-type and intra-risk-type concentrations) are understood as cross-risk exposures that are analyzed and controlled with regard to their interdependent effect on other risks.

4.5.2 Counterparty and credit risks

The CGME business activity results in the following significant, client-related **counterparty risks**, which are sub-categories of credit risks for dedicated monitoring and control processes:

- Issuer risk (stocks and bonds)
- Counterparty risk, including risk concentrations
- 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.

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 through an independent credit risk analysis, either on a regular cycle or based on an event. The rating is an important indicator for defining the counterparty or issuer-related limits.

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The discussions and descriptions below relate primarily to issuer and counterparty risks.

The Bank defines limits for various credit types according to the relevant counterparties 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 the regular reporting and will be advised about the applicable thresholds.

As of the end of fiscal year 2022, CGME's **total pre-settlement exposure limits** (PSE limits) totaled USD 36,919 million, (approx. EUR 34,615 million)³⁹, and existed *vis-à-vis* a total of 445 counterparties. Of that amount, a total of approximately USD 8,269 million (approx. EUR 7,753 million) were utilized. The limit utilizations in the recently completed fiscal year stabilized after the exposures had increased dramatically in recent years as a result of client migrations related to BREXIT.

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 2022 can be shown as follows in terms of the utilizations:

	Dec'20	Dec'21	Sep'22	Nov'22	Dec'22	
Exposure by FRR	1	574.5	607.8	652.9	958.5	1,565.2
	2	2,148.2	2,493.5	1,618.3	1,853.3	1,769.9
	3	1,060.2	1,464.8	4,074.7	2,684.4	2,776.6
	4	587.9	2,027.7	3,636.4	4,002.9	3,109.8
	5	239.7	352.6	164.1	264.7	269.6
	6	9.8	28.3	24.5	31.7	39.9
	7	4.0	13.4	129.4	215.9	22.9
Unrated	116.8	45.8	248.9	226.3	64.7	
Grand Total	4,741.2	7,033.8	10,549.3	10,237.7	9,618.6	
Weighted Avg FRR	4	4	4-	4-	4	

The majority of utilizations (representing a share of approx. 96%) is thereby ascribed to rating classes 1 through 4.

To reduce the credit risks among the counterparties and the issuer risks in trading, master contracts for financial futures⁴⁰ and for securities repurchase agreements (repos) are generally used that provide reciprocal "netting agreements" intended to lower the counterparty credit risks. The master contracts 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 contracts are subject to the principle of the unified / standard contract (*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.

³⁹ USD 1.00 = EUR 0.9376

⁴⁰ The master contracts for financial futures also include the master contracts 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 BdB).

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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 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.

Moreover, the Bank launched a suitable tool for quantifying the risk concentrations related to counterparty default risks and for implementing them in the reporting system. Above all, the concentration of counterparty risks is backed by economic equity resources.

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 business 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 assets as well as the corresponding hedges
- Repos and reverse repos with group companies (refinancing)
- Fixed income finance.

With regard to this set of risks, the following market prices exist:

- 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.

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The risk exposures in the trading books are quantified daily 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).

The 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.

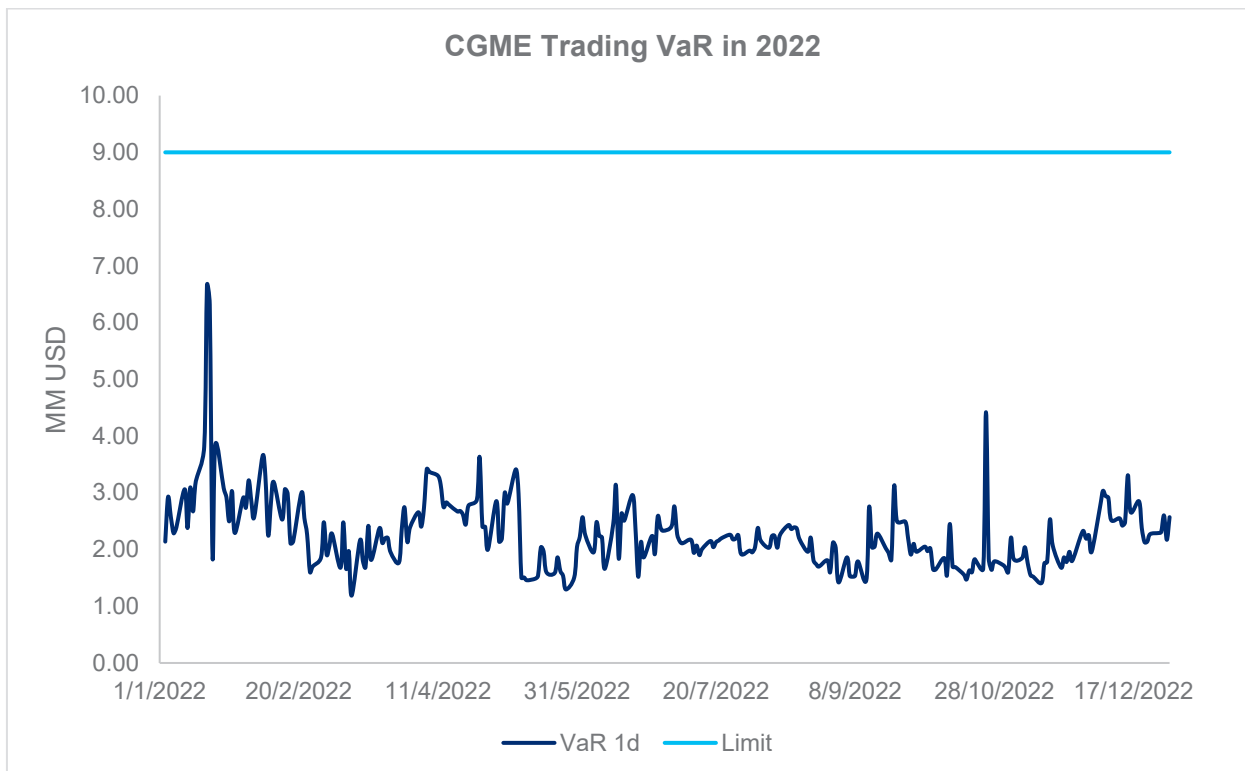
Moreover, in order to stimulate extreme market changes, analyses of the stress tests are performed in regular intervals and, in specific situations, on an *ad hoc* basis.

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 daily market risk reports, which are generated by the system and also highlight specific limit breaches, are provided to Risk Controlling each day by a department that is located in London and is responsible for that task. 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 2022 can be depicted as follows:

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The VaR limit was set at USD 9 million in 2022 and continues to exhibit relatively low utilization.⁴¹

The following risks continued to be the main risk factors in fiscal year 2022:

- Stock price risks, resulting from the trading book activities of the "Public Listed Products" unit and corresponding hedging transactions.
- Interest rate risks resulting from the trading book activities of the "Rates and Currencies" unit. Positions arose mainly from the applied accounting method ("back-to-back") and the not necessarily matching products used for collateralization.

In December 2022, a dynamic hedging strategy for trading book positions was rolled out to provide enhanced protection against severe market movements. Using this process, the applied market risk metrics and stress exposures have been sustainably reduced.

The increased market volatility resulting from the geopolitical situation surrounding the Ukraine-Russia crisis did not have a significant impact on the trading book result of CGME.

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.

With the launch of the risk inventory process in 2022, the decision was made to no longer consider pension fund risks as a separate risk category according to the local risk taxonomy, but rather to allocate the resulting risks to market price risks; as risks unrelated to the trading book. According to the analysis performed in fiscal year 2022, pension fund risks are not considered to be significant risks, although economic capital requirements arising from pension funds are still taken into account in the ICAAP based on the prudence principle (*Vorsichtsprinzip*).

⁴¹ The spike in February was due to technical reasons, and the increase from July to September was attributable to increased customer activity.

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4.5.4 Liquidity risks

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.

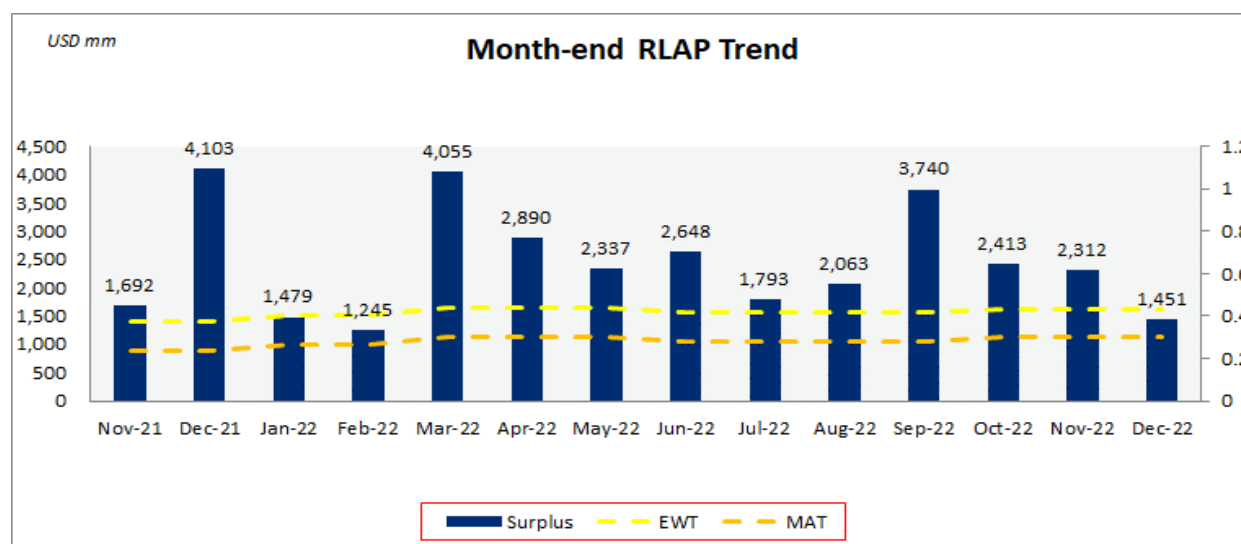
The risk monitoring and management are based on analyses of all cash flows according to products and currencies and include the monitoring of, and setting limits for, aggregated cash outflows and inflows. On a daily basis, both internal and external metrics are used to monitor liquidity risks. The internal metrics consist primarily of the TLST (Term Liquidity Stress Test, with a one-year plan assumption) and RLAP (Resolution Liquidity Adequacy and Positioning, with a 30-day plan assumption). In addition, external regulatory ratios such as the net stable funding ratio or the liquidity coverage ratio are calculated and monitored.

In the second quarter of 2022, an intraday liquidity reserve for CGME was introduced and included in the calculation of TLST and RLAP ratios. Monitoring of the intraday liquidity reserve has been integrated into the Bank's written policies and control processes. Compliance with the corresponding limits is the responsibility of the Risk Controlling Division. The Executive Board receives regular and timely reports on CGME's liquidity situation.

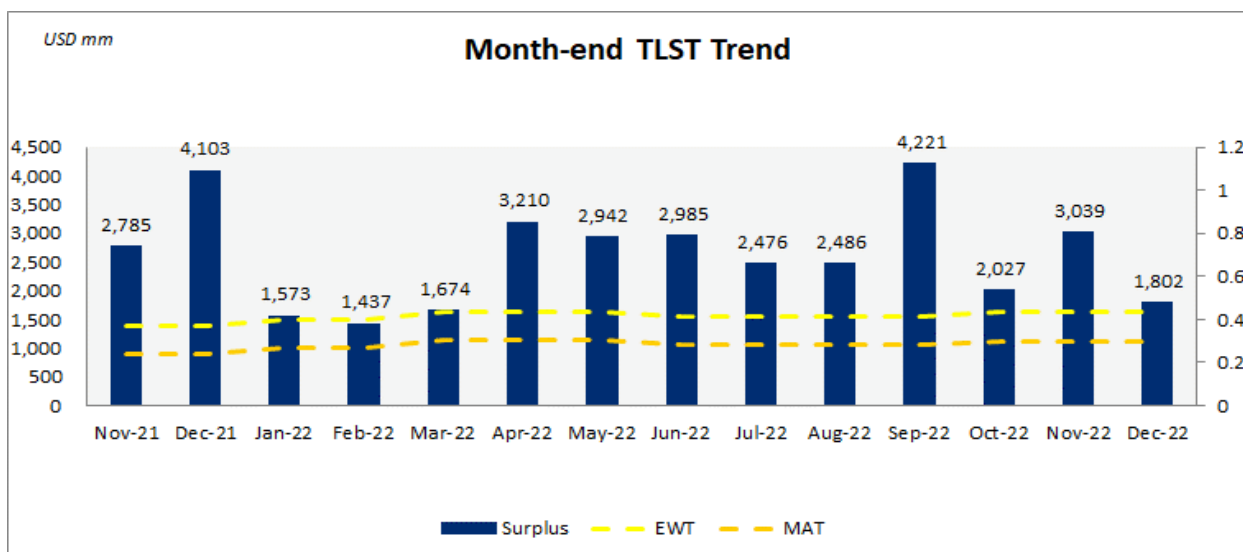
In addition, CGME has set up a liquidity reserve in order to absorb potential distortions on the capital markets and to fund any liquidity bottlenecks that could result therefrom. In accordance with the relevant EBA Guidelines, the liquidity reserve consists of so-called "high quality liquid assets" (HQLA) and is dedicated purely to liquidity management. Active management of the liquidity reserve is the responsibility of Corporate Treasury.

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 2022, no limit breaches (negative cash flow) were shown in the funding matrix.

Broken down into the individual maturity bands as of the end of fiscal year 2022, the respective cumulative cashflows of CGME can be shown below as follows:



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The monitoring of liquidity risks is done on the basis of the early warning indicators and limits set forth below. In general, no negative cash flow is accepted.

Internal Liquidity Metrics	Q1 2022	Q2 2022	Oct-22	Nov-22	Dec-22	Above Early Warning Trigger	Below Early Warning Trigger	Below Management Action Trigger	Limit
TLST (Low Point Surplus; \$ MM)	1674	2985	2027	3039	1802	>=\$1620mm	\$1620mm - \$1120mm	<\$1120mm	< \$0 mm
TLST (Low Point Surplus Tenor)	O/N	M3	M4-M6	M3	M3				
RLAP (Low Point Surplus; \$ MM)	4055	2648	2413	2312	1451	>=\$1620mm	\$1620mm - \$1120mm	<\$1120mm	< \$0 mm
RLAP (Low Point Surplus Tenor)	O/N	CD14	CD21	CD21	CD26				
Local Regulatory Liquidity Metrics									
Liquidity Coverage Ratio Surplus (€mm)	1669	5568	6141	5092	5168	>=€2600mm	€2600mm - €1300mm	<€1300mm	< €0 mm
Net Stable Funding Ratio Surplus (€mm)	2356	4072	4189	4047	4637	>=€1800mm	€1800mm - €900mm	<€900mm	< €0 mm

According to the table shown above, CGME has had adequate liquidity in all time bands of up to one year.

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”).

Moreover, CGME has structural and currently unused excess cash flow and adequate capital resources bridging results that have an adverse effect on liquidity.

In addition, for the first time in fiscal year 2022, the Bank developed an ILAAP concept, which was approved by the CGME Executive Board.

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 must record all

Risk Report

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 1,000k.

In order to prepare for the potential supply shortages in the energy sector caused by the geopolitical situation, the Bank participated in a cross-regional real-time simulation to prepare for the scenario of a "power outage".

In light of the outsourcing of individual services and infrastructure measures, there is an inherent risk 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, monthly and quarterly reports.

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

The operational risks in connection with the economic capital calculation are quantified through a statistical simulation that is fed by historical loss events. The standard approach is used in the normative perspective.

Taking into account all business divisions and departments, CGME performs a 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 have 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.

Compliance risks are risks involving violations of regulatory requirements and rules that can negatively affect the Bank's profitability and stability. Compliance risks are also deemed to include adherence to ethical standards and internal guidelines. Because the causes and nature of these compliance risks are often identical to those of operational risks, the control and governance activities that have been implemented are essentially standardized. No significant violations occurred in the 2022 fiscal year.

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4.5.6 Other significant risks

Reputation risks

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 issued 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 result of this calculation is not assimilated directly into the risk capital concept; rather, it is used to determine the amount of the management capital buffer approved by the Executive Board. The management of the reputation risks is addressed primarily by the CGME Executive Board, which also decides on any action that may be needed.

In fiscal year 2022, there were no material effects identified on the basis of a reputation risk.

Strategic risks

Strategic risks are primarily anticipated potential losses that threaten the profitability and capital strength of the Bank as a result of wrong business decisions. Strategic risks may be influenced by internal as well as external factors. The Bank has taken extensive measures to minimize the likelihood that strategic risks will manifest and to keep the economic effects of any such manifestations as low as possible.

Strategic risks are backed by and supported with economic equity resources in connection with the setting of the capital buffer under the risk capital concept. This is carried out by incorporating the results of an idiosyncratic stress test, which simulates the Bank's profitability in the wake of an earnings shock.

Tax Risks

In connection with a currently still pending tax audit of CGME for the **2009 to 2012 tax assessment period**, the tax authorities have taken the view that the credited investment income withholding tax (which resulted from the Bank's own holdings) plus the solidarity surcharge (which is levied thereon) for the years 2009 through 2011 cannot be fully credited. If, based on this view, a credit of the relevant amounts is (partially) denied by the tax authorities for the years 2009-2011, then potential tax repayment obligations will need to be discharged not by CGME but instead by owners of Global Markets Finance Corporation & Co. beschränkt haftende KG, Frankfurt am Main, which was the shareholder of CGME during the aforementioned audit period and with which an income tax-integrated group (*ertragsteuerliche Organschaft*) had existed. Its owners (i.e., partners) were “Citigroup Global Markets Finance LLC, Delaware/USA” (general partner), and “Citi Overseas Investments Bahamas Inc., Commonwealth of The Bahamas” (limited partner). Based on the information currently available, a claim against CGME is therefore not expected. Accordingly, the tax risks for CGME are viewed as low.

Based on the findings from individual tax audits, which had been conducted at the customers of CGME's clients, the tax authorities are of the opinion that these customers (also referred to as “primary debtors”) had executed certain stock transactions in the years up to 2011 and had incorrectly credited the investment income withholding tax (*Kapitalertragsteuer*), together the solidarity surcharge, which had been incurred on the dividend payments, The tax authorities believe that CGME should be subject to so-called “secondary liability”, to the extent that the primary debtors did not discharge their tax repayment obligations. The tax authorities thereby issued the relevant liability orders (*Haftungsbescheide*) against CGME for the tax assessment period 2015 through 2022. CGME has filed an appeal against these liability orders and a motion to stay their enforcement pursuant to § 361 (2) of the German Fiscal Code (AO). The substantiating argument is that according to a legal opinion obtained in 2022, it is not likely that CGME would be exposed to secondary liability with regard to the relevant tax liabilities of customers, which could serve as the basis for asserting claims against CGME.

Risk Report

The tax risks are therefore still considered to be low.

In connection with an external tax audit ordered in 2019 and relating to corporate income tax, trade tax and sales tax for the **assessment and collection periods 2013 to 2015**, there are individual preliminary audit findings that are substantively not material.

In the recently completed fiscal year 2022, a further external tax audit was commenced and addresses corporate income tax, trade tax and sales tax for the **assessment and collection periods 2016 to 2018**. Audit findings are currently not yet available.

Risks in connection with the branches

The counterparty credit risks, market price risks, liquidity risks and operational risks connected with the business operations of the branches in Madrid, Milan and Paris as well as London are factored into the risk management and the assessment of CGME's capital adequacy.

4.6 Summary Description of the Risk Situation

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. In fiscal year 2022, the regulatory equity capital requirements were met at all times and the risk coverage potential in connection with the economic capital requirement was adequate at all times during the fiscal year in order to support the risk profile resulting from the Bank's business activity.

The effects of the geopolitical crisis surrounding the Ukraine-Russia war were monitored very closely at all times during the past fiscal year. In this context, effects on trading book positions and counterparty risks in particular were reviewed using portfolio simulations and stress tests in order to be able to make corrections where and when needed. Effects, including second-level effects (*Effekte zweiter Ordnung*) such as the increased inflation rate resulting from the energy crisis, were examined in this context and the findings and conclusion forwarded to the decision-making bodies. The Bank's risk profile has not changed in the long term as a result of the geopolitical crisis, and no significant potential losses have materialized.

The measures taken in connection with the Brexit implementation also resulted in the Bank's risk profile having changed substantially in fiscal year 2022. Essentially, counterparty risks and the resulting capital and liquidity drawdowns have increased significantly due to the addition of new client relationships. This process was supported by appropriate capital measures in order to guarantee the Bank's suitable capital base at all times.

In this context, the Bank will continue to find itself in a dynamically growing environment for fiscal year 2023.

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