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

Base Prospectus No. 5 of 14 October 2008
for Call (Bull) and Put (Bear) [insert product name: ###] Warrants

referenced to

Share Prices, Share Indexes, Exchange Rates, Commodities, Futures Contracts or a basket comprising of the aforementioned underlyings

Important Notice:

Reserved blank space or references to the Final Terms of the Offering

Any references contained in this Base Prospectus to blank space reserved for the omitted Final Terms of the Offering will be identified either by specific text or through the insertion of hash symbols ("#").

The Base Prospectus and the relevant Final Terms of the Offering (separate document) together constitute the Complete Prospectus:

Complete information about the Issuer and the securities offering will be available to the reader only when this Base Prospectus No. 5 of 14 October 2008 and the relevant Final Terms of the Offering, which are not yet contained in this document but which must be published as a separate document, are integrated and merged together. The Base Prospectus No. 5 of 14 October 2008, which will be supplemented by the Final Terms of the Offering, shall together with the latter constitute the Complete Prospectus.

A copy of the relevant Final Terms of the Offering relating to this Base Prospectus will be available free of charge as follows:

In each individual Member State of the European Union in which the warrants are being offered, a free hard copy of the Final Terms of the Offering will be available as a separate document at the address of the paying agent and on the Issuer's website.

Right of withdrawal after publication of a supplement

Investors who have executed a declaration of intent with regard to the purchase or subscription of the securities before the publication of certain supplements, may withdraw such declaration of intent within a period of two working days after the publication of the supplement, provided the settlement of the purchase or subscription has not yet been performed (§ 16 paragraph 3, sentence 1 German Securities Prospectus Act, “Wertpapierprospektgesetz”).

In Germany such right to withdraw does apply to any important new factor or any material incorrectness with regard to the information included in the prospectus which are capable of affecting the assessment of the securities and which arise after the approval of the prospectus and before the final closing of the public offer or the time when trading on a regulated market segment on a stock exchange commences (§ 16 paragraph 1 German Securities Prospectus Act, “Wertpapierprospektgesetz”).

According to Article 16 (1) of Directive 2003/71/EC of the European Parliament and the Council a respective right to withdraw does apply in the member countries of the European Union. With regard to offerings or exchange listings in EU-member countries other than Germany the details of the translation of the right to withdraw into national law will be referred to in the relevant Final Terms.

Any withdrawal from the purchase or subscription of the securities in the context of a supplement of the prospectus must be notified to:

Citigroup Global Markets Deutschland AG & Co. KGaA
Attn.: Legal Department
Wave Building
Reuterweg 16
D- 60323 Frankfurt/Main

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Information that is required to be disclosed in respect of Citigroup Global Markets Deutschland AG & Co. KGaA as the Issuer of the Warrants can be found in the Issuer´s Registration Document dated 14 October 2008 which is incorporated by reference on page F 1 of this Base Prospectus. The availability of free hard copies of the Registration Document at the following address of the Issuer's place of business was published in the Boersen-Zeitung:

Citigroup Global Markets Deutschland AG & Co. KGaA
New Issues Structuring
Frankfurter Welle
Reuterweg 16
60323 Frankfurt am Main

This Base Prospectus has not been amended by any Supplement yet.

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B. Summary

1. Warning:

This summary should be read as an introduction to the prospectus. The investor should base each decision to invest in the relevant securities on a review of the prospectus as a whole. In the event that any claims based on information contained in this prospectus are enforced in court, the plaintiff investor may be required under the national laws of the States within the European Economic Area to bear the costs of translating the prospectus before the commencement of proceedings. The persons who assume responsibility for the summary including any translation thereof, or who applied for its publication, may be held liable only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the prospectus.

2. Risk factors associated with the securities

2.1 General risk factors of warrants

The general risk factors of warrants, as subsequently described, apply to all type of warrants included in this base prospectus. All references to call or put warrants in this paragraph should be understood also as references to bull and bear warrants. Specific risk factors of individual types of warrants are described under 2.2 through 2.5.

Risk of losing entire investment

The risk of loss on warrants – indeed the risk of losing all capital invested, plus the transaction costs and in some cases the loan costs – is particularly high. The rights certificated in warrants may expire or lose their value because this instrument always embodies rights of limited duration only.

If all other factors affecting price are disregarded, a call warrant will often decline in value if the price of the underlying falls. The opposite is true for put warrants – the value of a put warrant will fall if the price of the underlying increases. Your entire investment will be lost if the warrant is worthless when it expires, i.e. if the price of the underlying at the end of the exercise period is less (call warrants) or more (put warrants) than the strike price. Total loss means that the option expires with no value, and the warrant holder cannot thereby claim payment of any intrinsic value upon exercise.

Risk not limited to the price of the warrant

Any transaction costs, which are invoiced by the custodian bank or the stock exchange through which you execute your buy or sell orders, could affect the amount of your gain or loss. These costs could increase your total loss even more.

The risk increases even more if you borrow money to finance the acquisition of warrants. In this case, not only do you have to accept the loss incurred, but you must also pay interest on and repay the loan. Therefore, you should never rely on being able to repay the loan principal and interest out of profits made on warrants. Instead, before purchasing the warrants and taking out a loan, review your financial situation to see whether you would still be able to pay interest and repay the loan (potentially on short notice) if you sustain a loss instead of making the anticipated profit.

Disproportionate price fluctuation

A change in the value of the underlying can have a disproportionate impact on the value of the warrant. A warrant's leverage can work in each direction; in other words, an investor may be advantaged or disadvantaged depending on whether the factors that determine value develop favourably or unfavourably.

Risk of warrants with currency protection (Quanto warrants)

Even the price of warrants with currency protection (Quanto), assuming that all other value determining factors remain constant, may react to currency fluctuations prior to final maturity or the redemption of open end warrants respectively. At final maturity respectively the time of the redemption of open end warrants, the quanto warrants are not exposed to any currency risk between the disbursement currency and the currency of the underlying. However, this does not apply if you intend to sell the warrants on the secondary market during the term of the warrants. In this case you may be exposed to an unlimited currency risk.

It is assumed that you pay possible costs arising from the currency protection. Upon redemption by the warrant holder respectively the termination by the Issuer, the disbursement amount of open end warrants without defined final maturity may, according to the terms and conditions of the warrants, decrease by the net costs of the currency protection (Quanto), calculated by the Issuer in its reasonable discretion.

Issuer's hedging transactions

In order to hedge its obligations under warrants, the Issuer continually trades in the underlying, in derivatives referenced to the underlying, or in other underlyings or derivatives which influence the price of the underlying or whose price or volatility closely tracks the price movement or volatility of the underlying.

In general, such hedging transactions have the potential to amplify changes in the price of the underlying or the underlying's volatility, i.e. additional hedging positions may cause prices that are increasing anyway to increase even further, and vice versa for falling prices. If such price trends are intended to be reinforced, this would accordingly affect the price of the warrant or the gain or loss upon exercise of the warrant.

The Issuer executes hedging transactions on an ongoing basis (i.e. at any time).

The Issuer will also adjust its hedging positions if it sells additional warrants or buys back warrants or, in the event the warrant is exercised, closes out its position.

Transactions that exclude or limit risks

Do not rely on the ability at any time during the term of the warrant to enter into transactions through which you can exclude or limit the risks associated with warrants. It may be impossible to execute such transactions, or such transactions might be capable of execution, but only at a loss to you.

Secondary market

Under normal market conditions, the Issuer intends to regularly quote buying and offered prices for the warrants. Nevertheless, the Issuer does not provide any legal undertaking to warrant holders that it will quote such prices or that such prices are calculated or reasonable. Even if the warrants are listed, it cannot be guaranteed that the listing will be permanently maintained. Therefore, you should not rely on the ability to sell at a certain time or at a certain price during the term of the warrant.

Deviations of the pricing-model-theory

In general, market prices are based on the principle of supply and demand. The prices of warrants are thereby subject to the influence of the degree of competition and the profit margins available to the offeror in this context.

The pricing models applied by the Issuer do only state theories with regard to events materialising in reality. In particular, the Issuer may and is in fact obliged to adjust the pricing if the reality differs significantly from the assumptions inherent in the pricing model. However, the respective model applied by the Issuer is insofar of paramount importance as the Issuer regularly will be the only market participant to quote buying and selling prices for its securities.

Restricted secondary trading if electronic trading system is unavailable

Due to the large number of trades in derivative securities typically handled by the Issuer, it is particularly important for the Issuer and warrant holders that trading in the warrants be conducted via an electronic trading system so that buying and offered prices can be quoted for exchange and off-exchange trading.

Market depth of underlying

The less liquidity the underlying has or the greater the spread between the buying and offered prices for the underlying or the derivatives referenced thereto, the higher the warrant Issuer's hedging costs tend to be. When quoting prices for the warrants, the Issuer will factor in such hedging costs and will pass them on to the warrant holders by incorporating them in the buying and offered prices.

Hedging transactions executed by warrant purchasers

The value of the warrants is not necessarily directly linked to the value of the underlying. Due to fluctuations in the supply of and demand for the warrants, it cannot be guaranteed that the value of the warrants will increase or decrease in line with the price of the underlying.

Risk of default by the warrant Issuer

The warrants represent general and non-collateralised contractual liabilities of the Issuer, which are ranked equally among themselves and with the Issuer's other existing, non-collateralised, non-subordinated liabilities. If the Issuer becomes insolvent, you may suffer a loss, potentially of your entire investment, irrespective of any favourable development in the other value determining factors. As bearer securities, the warrants are not covered under deposit protection (*Einlagensicherung)*.

Intrinsic value may be subject to currency risk

For the period during which you hold the warrants, the return on your investment is subject to a currency risk if the underlying of the warrant is expressed in a currency other than the currency in which you hope to generate a gain (investor's target currency). The currency in which the disbursement amount is paid out (disbursement currency) and the currency in which the warrants are traded either on or off the stock exchange (trading currency) must be distinguished from the investor's target currency.

There may also be a currency risk inherent in the warrants if the disbursement currency or trading currency is different from the currency in which the underlying is expressed or denominated. However, the question of whether the investor faces a commercial currency risk will be determined by comparing the currency of the underlying with the investor's target currency.

Minimum exercise volume

Warrants that may be exercised at any time (American-style warrants) may only be exercised in volumes equal to or greater than the minimum exercise volume as determined in the final terms. No minimum volume applies to European-style warrants, which are automatically exercised upon the expiry date.

Impossible to forecast the disbursement amount upon exercise

The proceeds cannot be precisely forecast when warrants are exercised because the reference price of the underlying, which is used as the basis for settlement (i.e., compared with the strike price), cannot be determined until all exercise prerequisites have been met.

Potential conflicts of interest

The Issuer, its affiliated enterprises (if applicable) or other companies belonging to or affiliated with Citigroup Inc. (the "Companies") may actively trade in the underlying, other instruments or derivatives referenced to the underlying, exchange-traded options or exchange-traded forwards, or may issue other securities or derivatives referenced to the underlying. The Companies may also be involved in acquiring new shares or other underlying instruments or individual companies incorporated in share indexes or equities baskets, or may act as financial advisor to the aforementioned entities or work together with them in commercial banking operations. The above activities may give rise to conflicts of interest and may adversely affect the price of the underlying or securities referenced to the underlying (such as the warrants).

Effects of market disruptions on exercise or secondary trading

If market disruptions affecting the underlying occur at the time the warrant is exercised, then the Issuer reserves the right to postpone the date for calculating the reference price applicable upon exercise. With respect to trading warrants, a postponement in the exercise of the warrants as a result of market disruptions will be deemed to have occurred in the event that the quotation of the Issuer's buying and offered prices is suspended or greatly limited, only prices for smaller volumes are quoted, the spread between the buying and offered prices expands, or there has been a combination of the foregoing occurrences.

Postponement of exercise as a result of political risk

In the event that the Issuer or the respective exercise agent is not actually or legally in a position to fulfill its liabilities under the warrants in a legally admissible fashion in Frankfurt am Main or at the place of the respective exercise agent, then the due date of such liabilities will be postponed until the date on which it is actually or legally feasible for the Issuer or the respective exercise agent to fulfill its liabilities in Frankfurt am Main or the place of the exercise agent. The warrant holders will not be entitled, as a result of such postponement, to enforce any rights against the assets of the Issuer or the exercise agent, which are located in Frankfurt am Main or elsewhere.

If any of the events described above affect only the exercise agent and not the Issuer, then the Issuer shall, at the request of warrant holders, satisfy its obligations under the warrants in Frankfurt am Main instead of the place of the exercise agent.

Adjustment to or substitution of the underlying

If the underlying is replaced by another underlying (e.g., in the event that a stock corporation is taken over by or merged with another listed stock corporation), or if the old underlying is no longer listed, or if a share index is discontinued and replaced by another share index, then the implied volatility of the new underlying as estimated by the Issuer may be lower or higher than the volatility of the old underlying. Any such major jump in volatility will adversely affect the warrant price of plain vanilla warrants if the implied volatility of the new underlying is less than that of the old underlying. Turbo warrants may be adversely affected by such jump in volatility if the implied volatility of the new underlying is higher than that of the old underlying and the price of the underlying, the strike price and the knock-out level lie within close proximity.

If it is not possible to adjust the underlying in line with the changes that have occurred, then the warrants may expire with no value or may be repaid early at current fair market value. Even in the event of early repayment at market value, you are still exposed to a risk of loss should the fair market value at such time be less than the price at which you purchased the warrants. With this type of security at least, you no longer have an opportunity to recoup any losses.

Illiquid secondary markets in the case of european-style warrants

In the case of warrants that may be exercised only at the end of their term ("European-style warrants"), you can realise the value of your warrants prior to the expiry date only by selling the warrants at the current market price. See also "secondary market in the warrants" above.

2.2 Risk factors specific to plain vanilla call or put warrants

Loss of time value

In general, the price of a warrant prior to the expiry date will be higher than the expected intrinsic value upon exercise. The difference between the price of the warrant and its intrinsic value is described as the time value. The warrant price reflects the net present value of the anticipated intrinsic value shortly before expiry of the warrant. The probability of positive movements in the price of the underlying decreases as the warrant's term to expiry elapses, which means that the value of a warrant will decrease if all other value determining factors remain constant. Assuming that all other factors remain constant or unchanged, the time value of the warrant will decrease (first slowly and then more and more rapidly) as the term to expiry becomes shorter. The decline in the time value accelerates towards the end of the exercise period because the probability of a positive intrinsic value upon expiry rapidly decreases as the term to expiry gets shorter and shorter. At the end of the exercise period, the time value must necessarily be zero because an exercise of the warrant can yield no more than the intrinsic value.

Value determining factors

The value of a warrant depends not only on the development of the underlying, but also on various other factors.

Even if the price of the underlying increases in the case of a call warrant or decreases in the case of a put warrant, the warrant may still lose value as a result of other value determining factors. Due to the fact that the term of warrants is always limited, you cannot rely on a recovery of the warrant price before the expiry date. The shorter the period, the greater the risk is.

In order to avoid losses when you purchase warrants, you must therefore correctly forecast the direction, the timing and the magnitude of movements in the price of the underlying during the remaining exercise period, the change in the implied volatility of the underlying as projected by the market or the Issuer, the development of interest rates on the money market, the anticipated income generated by the underlying during the remaining exercise period (only relevant to pricing; the warrant itself does not yield income), the transaction costs associated with buying, selling or exercising warrants, and any loan costs.

Volatility of the underlying

All of the professional market players calculate warrant prices in a similar manner on the basis of three different models. They use the Black-Scholes model, the Binominal model or the Monte Carlo simulation. The best known and still most widely used model is the Black-Scholes Stock Option Pricing model, which dates back to 1973 and which is also used by the Issuer, who adapted it to the requirements of various categories of underlying instruments (not just shares). The aforementioned models are based on mathematical or statistical approaches, which largely use probability theory variables. Yet all of the sensitivity factors can be taken from the real conditions on the financial markets: the underlying, the term to expiry or exercise period, the implied volatility, the refinancing costs on hedging transactions or interest, the yield on hedging transactions, and the strike price.

Of the 6 different pricing factors, anticipated future volatility is the only unknown variable in the Black-Scholes model and must therefore be estimated.

By way of exception, however, the price of the underlying may also need to be estimated if the warrant referenced to the underlying is traded at a time when the market for the underlying is in fact closed. This problem applies above all to underlying instruments that are traded in time zones that are far removed from Central Europe, such as American or Japanese shares or share indexes in those regions. The same problem arises if the warrants are traded on days on which the home market for the underlying is closed because of a public holiday.
Expressed as an annual percentage, the implied volatility indicates the range within which the seller of the option believes the price of the underlying will fluctuate in the future, based on a certain degree of probability.

The actual fluctuation may deviate substantially from the originally estimated implied volatility. This is because future price fluctuations cannot be predicted with certainty.

High volatility indicates an expectation that the price of the underlying will fluctuate significantly. The higher the expected fluctuation is, the greater the chance in the future that the warrant price will move in the desired direction. Conversely, low implied volatility indicates an expectation of lower fluctuation in the price of the underlying and therefore justifies a lower warrant price.

As a warrant holder, the risk you face in relation to volatility is firstly that the implied volatility expected during the warrant's term to expiry will fall. The more the implied volatility falls, the greater the loss on the warrant price. A loss on the warrant price as a result of a decline in volatility can largely overlap with the effects of other pricing factors. A further risk arises if the implied volatility estimated in the warrant price is ultimately greater than the actual fluctuation that occurs.

Other factors

If all other factors remain the same, rising interest rates on the money market increase the Issuer's hedging costs for call warrants. Accordingly, rising interest rates reduce the price of call warrants when they are quoted by the Issuer. The opposite is true for put warrants. Interest rate fluctuations would have to be enormous for this warrant pricing factor alone to cause serious losses.

On the other hand, the Issuer's hedging positions also generate income, and the Issuer takes this income into account when quoting the warrant price. This income may be in the form of dividends from shares or equities baskets, the dividend yield on share indexes or interest income earned abroad from foreign exchange transactions. If expectations regarding these amounts change (for example, if higher dividends are paid than previously estimated and factored into the warrant price), then the warrant price will be adjusted accordingly. The effect on calls is opposite to the effect on puts (similar to the situation with interest rates on the money market). In this case as well, the fluctuations would have to be enormous for this warrant pricing factor alone to cause serious losses.

2.3 Risk factors specific to turbo bull or bear warrants with knock-out level

Risk of losing your entire investment

If you purchase turbo warrants, you acquire the right to receive a sum of money from the Issuer in accordance with the warrant terms and conditions, and the amount you receive will equal the warrants' intrinsic value upon expiry (converted to euros, if applicable). This right differs in relation to bull and bear warrants: While the intrinsic value (according to the warrant terms and conditions) of bull warrants depends on the amount by which the reference price of the underlying exceeds the strike price on the calculation date (which is referenced to the expiry date), for bear warrants the intrinsic value depends on the amount by which the reference price of the underlying falls below the strike price on the calculation date (which is referenced to the expiry date), with the amount (or difference) in each case being multiplied by the subscription ratio. The performance of the value of the turbo warrant during the term generally develops accordingly: If all other factors affecting price are disregarded, a bull warrant will usually drop (rise) in value if the price of the underlying falls (increases). The opposite is true for bear warrants – the value of a bear warrant will fall (rise) if the price of the underlying increases (falls). The correlation between the price movement of the underlying and the turbo warrant, disregarding other pricing factors, regularly is approximately 1:1. Your entire investment will be lost if the turbo warrant is worthless when it expires, i.e. if the price of the underlying on the expiry date is less (bull warrants) or more (bear warrants) than the strike price. Total loss means that the option is worthless when it expires, so the warrant holder cannot claim payment of any intrinsic value upon exercise.

Other value determining factors

The value of a turbo warrant depends not only on the development of the underlying (1), the implied volatility, in case that the price of the underlying, the strike price and the knock-out level are close to each other or the price of the underlying is close to the knock-out level respectively (2), or the knock-out level itself (3), but also on various other factors. These factors include the length of the remaining term to expiry of the warrant (4), interest rates on the money market for the remaining term to expiry (5), the income expected to accrue on the underlying (only relevant to pricing; the warrants themselves do not yield income except when exercised), such as dividend income in the case of shares or equities baskets, the dividend yield in the case of share indexes, or interest income on foreign currency money market investments during the term to expiry where exchange rates are the underlying (6), and the strike price (7).

Even if the price of the underlying increases (decreases) in the case of a bull warrant or decreases (increases) in the case of a bear warrant, the warrant may still lose (gain) value as a result of other value determining factors. Due to the fact that the term of warrants is limited, you cannot rely on a recovery of the warrant price before the expiry date. The shorter the period is, the greater the risk.

In order to avoid losses when you purchase warrants, you must therefore correctly forecast the direction, the timing and the magnitude of movements in the price of the underlying during the remaining term to expiry, the change in the implied volatility of the underlying as projected by the market or the Issuer, the development of interest rates on the money market, the anticipated income generated by the underlying during the remaining exercise period (only relevant to pricing; the warrant itself does not yield income), the transaction costs associated with buying, selling or exercising warrants, and any loan costs.

Risk of losing your entire investment prematurely as a result of the occurrence of a knock-out event

If the price of the underlying, as defined in the terms and conditions of the warrants, matches or falls below (bull warrant) respectively matches or rises above (bear warrants) the knock-out level of the turbo warrant within the defined observation period and during the defined observation hours, then the term of the turbo warrants is prematurely terminated and the option rights expire worthless. This does even apply if a market disruption leads to the occurrence of the knock-out event or if the knock-out event occurred only once and for a limited period after the date of initial offer. Due to the risk of the occurrence of a knock-out event, Turbo warrants are securities with a particularly high degree of risk.

The risk of loss associated with the occurrence of a knock-out event depends on the terms and conditions of the warrants. In general, there are three different alternatives.

2.3.1 Turbo warrants, where the strike price matches the knock-out level

If a knock-out event occurs to turbo warrants, where the strike price matches the knock-out level, you suffer a total loss of the capital invested.

This alternative of turbo warrants is associated with the following additional risks.

Risk that implied volatility will increase if the price of the underlying is close to the knock-out level

If the price of the underlying approaches the knock-out level of your turbo warrant, then there is an increased risk that the warrant will be knocked out and will therefore prematurely expire worthless. The measure used to quantify this risk in the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the price of the underlying nears the knock-out level and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because there is a higher probability that the warrant will be knocked out and will expire worthless. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying approaches the knock-out level. The closer the knock-out level of your warrant to the current price of the instrument underlying your turbo warrant, the greater the influence of implied volatility on the warrant price (i.e., implied volatility will account for a greater share of the warrant price) and thus the greater the warrant's sensitivity to volatility fluctuations. The greater the gap between the knock-out level of your warrant and the current price of the instrument underlying your turbo warrant, the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

Compared to call or put warrants without knock-out level ("standard warrants"), the price of turbo warrants therefore reacts conversely to changes of the volatility. The prices of standard warrants increase (fall) with an increasing (falling) volatility, whereas the prices of turbo warrants with knock-out level fall (increase) insofar, as the price of the underlying and the knock-out level lie within close proximity.

When do the price of the underlying and the knock-out level lie within close proximity?

The relative proximity of the underlying and the knock-out level is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap risks (see the last paragraph under "Decay of time value until expiry" below), and the volatility of the respective underlying. This margin is typically a few percentage points (expressed as a percent of the knock-out level), but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility, a premium for the gap risk and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date.

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading of the previous day and the opening of the following trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, the Issuer will face substantial price risks in adjusting the hedging transactions entered into to cover the warrants sold. Usually the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move goes beyond that level, the loss thus incurred has to be borne by the Issuer as it is impossible to unwind the hedging transactions at the knock-out level. With turbo warrants, where the strike price matches the knock-out level, the gap-risk is not borne by the warrant holder directly. However, the gap risks are usually projected for the future and are passed on by the Issuer to warrant purchasers as a component of the quoted warrant price. Similar to the turbo product type (2) the assumption of the gap-risk by the warrant holders can be described as indirectly. From a perspective in retrospect it is feasible that the gap-risks will be over- or underestimated by the Issuer.

2.3.2 Turbo warrants, where the strike price does not match the knock-out level and the gap risk is not borne by the warrant holder directly (Turbo stop loss warrants not subject to direct gap risk)

With turbo warrants where the strike price does not match the knock-out level and the gap risk is not borne by the warrant holder directly, in case of a knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the stop loss disbursement amount paid by the Issuer at the knock-out event. The stop loss disbursement amount is equal to the intrinsic value of the warrant at the knock-out event, i.e. the difference between the strike price and the knock-out level (bull) respectively the knock-out level and the strike price (bear), in each case multiplied by the subscription ratio and, if applicable, converted to euros (stop loss disbursement amount).

This alternative of turbo warrants is associated with the following additional risks.

Risk that implied volatility will increase if the price of the underlying, the strike price and the knock-out level are all within close proximity

If the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop loss rebate will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these factors are to one another, the greater the influence of implied volatility on the warrant price and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop loss rebate feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant in terms of the option price and assessing the associated risk.

Compared to call or put warrants without knock-out level ("standard warrants"), the price of turbo warrants therefore reacts conversely to changes of the volatility. The prices of standard warrants increase (fall) with an increasing (falling) volatility, whereas the prices of turbo warrants with knock-out level fall (increase) insofar, as the price of the underlying, the strike price and the knock-out level lie within close proximity.

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap risks (see the last paragraph under "Decay of time value until expiry" below), and the volatility of the respective underlying. This margin is typically a few percentage points (expressed as a percent of the knock-out level), but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility, a premium for the gap risk and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date. However, in the period until the expiry date, the decrease in time value is not necessarily continuous, and the time value can even increase (decrease) temporarily depending on whether the share of the warrant price attributable to implied volatility and/or the gap-risk increases (decreases) in the meantime (see also "Risk that implied volatility will increase if the price of the underlying, the strike price and the knock-out level are all within close proximity").

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading of the previous day and the opening of the following trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, the Issuer will face substantial price risks in adjusting the hedging transactions entered into to cover the warrants sold. Usually the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move goes beyond that level, the loss thus incurred has to be borne by the Issuer as it is impossible to unwind the hedging transactions at the knock-out level. As the actually materialising gap risk is not deducted from the intrinsic value at stop loss, as is the case with turbo stop loss product type (3), the gap risk is not described properly as being assumed directly by the warrant holders. However, the gap risks are usually projected for the future and are passed on by the Issuer to warrant purchasers as a component of the quoted warrant price. Similar to turbo product type (1) the assumption of the gap-risk by the warrant holders can be described as indirectly. From a perspective in retrospect it is feasible that the gap-risks will be over- or underestimated by the Issuer.

2.3.3. Turbo warrants, where the strike price does not match the knock-out level and the gap-risk is borne by the warrant holder directly (Turbo stop loss warrant subject to gap-risk):

With turbo warrants where the strike price does not match the knock-out level and the gap risk is borne by the warrant holder, in case of a knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the stop loss disbursement amount paid by the Issuer at the knock-out event. If a knock-out event occurs, the stop loss disbursement amount is equal to the difference between the strike price and the hedge price of the underlying calculated by the Issuer (bull) respectively the hedge price and the strike price (bear), in each case multiplied by the subscription ratio and, if applicable, converted to euros. This so called hedge price of the underlying will be calculated by the Issuer based on the results realised upon closure of the hedging positions (hedge) within the period definied in the terms and conditions of the warrants. Since the hedge price of the underlying calculated by the Issuer can also be far below (bull) or far above (bear) the knock-out level, this so called gap risk is borne by the warrant holder. The greater the difference between the strike price and the knock-out level, the greater the warrant holder's maximum loss in the event of a sufficiently high gap risk. **The worst case scenario is that the stop loss disbursement amount equals zero and the warrant holder suffers a total loss of his invested capital.**

This alternative of turbo warrants is associated with the following additional risks.

If the price of the underlying, the strike price and the knock-out level are within close proximity of one other, there may be a risk that implied volatility will increase

Typically, turbo stop loss warrants that are subject to gap risk are structured such that there is a sufficient margin between the strike price and the knock-out level, so that from the Issuer's perspective, the potential gap risk is largely transferred to the warrant holder. In such a case, volatility is irrelevant to warrant pricing.

If by way of exception, however, the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, then the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop loss rebate will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these factors are to one another, the greater the influence of implied volatility on the warrant price and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop loss rebate feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant to the option price and in assessing the associated risk.

Compared to call or put warrants without knock-out level ("standard warrants"), the price of turbo warrants therefore reacts conversely to changes of the volatility. The prices of standard warrants increase (fall) with an increasing (falling) volatility, whereas the prices of turbo warrants with knock-out level fall (increase) insofar, as the price of the underlying, the strike price and the knock-out level lie within close proximity.

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap risks, and the volatility of the respective underlying. This margin is typically a few percentage points, but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility (if applicable), and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date. However, in the period until the expiry date, the decrease in time value is not necessarily continuous, and the time value can even increase (decrease) temporarily depending on whether particularly the share of the warrant price attributable to implied volatility (if applicable) increases (decreases) in the meantime.

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading of the previous day and the opening of the following trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move will exceed the knock-out level the gap risk is transferred directly to the warrant holder by taking the strike price less the knock-out level (bull) or the knock-out level less the strike price (bear), in each case multiplied by the subscription ratio and, if applicable, converted to euros, and directly subtracting the respective amount. The Issuer will estimate the remaining future gap risk and pass it on to warrant purchases as part of the warrant price, only if the difference between the strike price and the knock-out level is too small to be able to offset potential future gap risks.

2.4 Risk factors specific to open end turbo warrants with knock-out level

Compared to turbo warrants with a specified term, the open end turbo warrants with knock-out level are associated with the following additional risks.

Risk of exercise of the warrants and Issuer´s termination right

The warrants do not have a specified term and represent therefore open end warrants. The term of the warrants will cease either upon valid exercise of the warrants in accordance with the terms and conditions (only in respect of the validly exercised warrants) or upon termination of the warrants in whole by the Issuer or upon the occurrence of a knock-out event or by early redemption of the warrants in case the terms and conditions provide such early redemption event. The warrants may be exercised by the respective warrant holder with effect to exercise dates specified as such in the terms and conditions of the warrants. The warrant holder´s exercise right is subject to further prerequisites which are specified in detail in the terms and conditions of the warrants. For purposes of calculating the respective disbursement amount, the respective exercise date with respect to which warrants are validly exercised will be the calculation date.

The Issuer is entitled to terminate the warrants in whole in accordance with the terms and conditions of the warrants. Such termination of the warrants is subject to a prior notification of the warrant holders by the Issuer in accordance with the terms and conditions of the warrants. For purposes of calculating the respective disbursement amount upon Issuer´s termination, the respective effective date of such termination will be the calculation date. Due to such Issuer´s termination right and to a possible knock-out event, you may not rely on being able to exercise the warrants with effect to a specific exercise date.

Knock-out and gap-risk

If the price of the underlying, as defined in the terms and conditions of the warrants, matches or falls below (bull warrant) respectively matches or rises above (bear warrants) the knock-out level of the open end turbo warrant within the defined observation period and during the defined observation hours, then the term of the open end turbo warrants is prematurely terminated and the option rights expire worthless. This does even apply if a market disruption leads to the occurrence of the knock-out event or if the knock-out event occurred only once and for a limited period after the date of initial offer. Due to the risk of the occurrence of a knock-out event, open end turbo warrants are securities with a particularly high degree of risk.

With open end turbo warrants, in case of a knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the stop loss disbursement amount paid by the Issuer at the knock-out event. If a knock-out event occurs, the stop loss disbursement amount is equal to the difference between the strike price and the hedge price of the underlying calculated by the Issuer (bull) respectively the hedge price and the strike price (bear), in each case multiplied by the subscription ratio and, if applicable, converted to euros. This so called hedge price of the underlying will be calculated by the Issuer based on the results realised upon closure of the hedging positions (hedge) within the period definied in the warrant terms and conditions. Since the hedge price of the underlying calculated by the Issuer can also be far below (bull) or far above (bear) the knock-out level, the gap risk is borne by the warrant holder. The greater the difference between the strike price and the knock-out level, the greater the warrant holder's maximum loss in the event of a sufficiently high gap risk. **The worst case scenario is that the stop loss disbursement amount equals zero and the warrant holder suffers a total loss of his invested capital.**

A knock-out event occurs outside the trading hours of the secondary market

In general, you face the risk that a knock-out event will occur outside the hours when the warrants are ordinarily traded. Such a risk may materialise if the hours during which the warrants are traded (through the Issuer or stock exchanges on which the warrants may be listed) differ from the hours when the underlying is ordinarily traded (the hours when the underlying is traded are used as the basis for determining whether a knock-out event has occurred).

This problem applies above all to underlying instruments that are traded in time zones that are far removed from Central Europe, such as American or Japanese shares or share indexes in those regions. The same problem may arise if the warrants cannot be traded because of a public holiday on the secondary market, while the home market for the underlying is open.

In this context, particular attention should be paid to the risk that there may be no or only a limited secondary market in the turbo warrants. See also "Secondary Market in the warrants" below.

If prices go beyond your stop loss limit during a period when the regular trading hours for the warrants and the regular trading hours for the underlying do not overlap, then setting a stop loss limit at which to sell your turbo warrants will not necessarily help you to avoid the risk described here.

If the price of the underlying, the strike price and the knock-out level are within close proximity of one other, there may be a risk that implied volatility will increase

Typically, turbo stop loss warrants that are subject to gap risk are structured such that there is a sufficient margin between the strike price and the knock-out level, so that from the Issuer's perspective, the potential gap risk is largely transferred to the warrant holder. In such a case, volatility is irrelevant to warrant pricing.

If by way of exception, however, the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, then the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop loss rebate will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these three factors are to one another, the greater the influence of implied volatility on the warrant price and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop loss rebate feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant to the option price and in assessing the associated risk.

Compared to call or put warrants without knock-out level ("standard warrants"), the price of turbo warrants therefore reacts conversely to changes of the volatility. The prices of standard warrants increase (fall) with an increasing (falling) volatility, whereas the prices of turbo warrants with knock-out level fall (increase) insofar, as the price of the underlying, the strike price and the knock-out level lie within close proximity.

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap risks, and the volatility of the respective underlying. This margin is typically a few percentage points, but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Adjustments of the strike price and the knock-out level

The strike price and the knock-out level of the warrants are subject to continuous adjustments in accordance with the terms and conditions of the warrants. In order to reflect financing costs incurred by the Issuer in connection with its hedging arrangements, the strike price will be increased on a daily basis by an adjustment amount which will be calculated for a specific adjustment period on basis of the current strike price on a specific adjustment day, the then prevailing relevant interest rate for deposits in the currency of the strike price, an adjustment correction factor and a specific day count fraction. The relevant calculation factors are described more in detail in the terms and conditions of the warrants. As result of such daily adjustment of the strike price, the risk of the occurrence of a market situation in which the price of the underlying, the strike price and the knock-out level are within close proximity will increase significantly (see risk information regarding such market situation below). Such adjustment of the strike price will further result – irrespective of other value determining factors – in a decrease (bull warrants) respectively increase (bear warrants) of the intrinsic value of the open end turbo warrants.

Additionally, on each adjustment day the knock-out level applicable for the following adjustment period will be adjusted at the Issuer´s reasonable discretion in accordance with the terms and conditions of the warrants. Depending on the market situation prevailing on such adjustment day, the adjustment of the knock-out level may result in both (i) an increase in the risk of the occurrence of a market situation in which the price of the underlying, the strike price and the knock-out level are within close proximity (see risk information regarding such market situation below) and (ii) an increase of the gap risk to be borne by the warrant holders if the distance between the then current strike price and the adjusted knock-out level increases. Therefore, do not rely on the knock-out level being in approximately the same distance to the strike price during the term of the warrants.

In case of shares or price indexes as underlying of the warrants, the Issuer will additionally calculate a dividend adjustment amount which will be deducted from the strike price on days on which the respective share or index component share will distribute dividends to its shareholders and the respective share trades ex-dividend on its home market. Such dividend adjustment amount will be calculated on basis of the effectively distributed dividends and a dividend correction factor, which will be determined by the Issuer at its reasonable discretion but normally will amount to 100%. Such adjustment upon dividend payments may result – irrespective of other value determining factors – in an increase (bull warrants) respectively decrease (bear warrants) of the intrinsic value of the open end turbo warrants.

2.5. Risks specific to capped, digital and straddle warrants

2.5.1. Capped warrants

The disbursement amount of capped warrants, which may be payable by the Issuer upon maturity, is – regarding the respective amount – limited by a cap defined in the terms and conditions of the warrants. Regarding to this the investor does not participate in the intrinsic value of the warrants insofar as the intrinsic value exceeds the cap upon maturity.

2.5.2. Digital warrants

The disbursement amount of digital warrants, which may be payable by the Issuer upon maturity, is – regarding the respective amount – determined in the terms and conditions of the warrants. Solely the payment of the respective disbursement amount depends on a prerequisite defined in the terms and conditions of the warrants, e.g. upon maturity the price of the underlying exceeds the strike price (call warrant) respectively falls below the strike price (put warrant). If the prerequisite, which is material to the payment of the disbursement amount, is not fulfilled, the warrants will expire worthless and the investor will suffer a total loss of his capital invested.

2.5.3. Straddle warrants

Straddle warrants are a combination of a call and a put warrant, in each case with equal strike price and equal maturity. To that effect the intrinsic value of straddle warrants (as stipulated in the terms and conditions of the warrants) depends on the amount by which the price of the underlying exceeds or falls below the strike price, in each case multiplied by the subscription ratio. Disregarding other value determining factors, the value of the straddle warrant will decrease constantly during his term, if the price of the underlying is close to or matches the strike price. Upon maturity, the investor will suffer a total loss if the warrant expires worthless, i.e. if the price of the underlying equals the strike price upon exercise or expiry.

<u>3. Risk factors specific to the Issuer</u>

Risk that the Issuer will provide limited or no price quotes

For securities which do not provide for the investor’s right to exercise the rights embedded in the securities at any time or where such an exercise would be unwise because otherwise the time value would be lost (in case of warrants which can be exercised at any time) the ability to sell the securities at any time is very important to you. This is where the Issuer's voluntary intention to quote buying and offered prices is of fundamental importance. Accordingly, one of the largest risks you face is that the Issuer will limit or completely renege on its voluntary intention to quote prices. In such a situation and assuming no one else quotes prices for the securities and hedging transactions via other instruments are not available or additional hedging transactions are not affordable to you, your only option would be, in the worst case scenario, to await final maturity (where no early exercise is possible) of the securities or to exercise your rights on one of the possible dates and to accept the risk of volatility of the disbursement amount until such date. The same applies in the event that the exchange listing of the instrument is suspended prematurely.

Risk of disrupted securities clearing and settlement or disrupted exchange trading

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

Legal risks arising from the issued securities

The Issuer's financial strength could be jeopardised if material components of agreements entered into with third parties prove to be invalid or unenforceable in key respects.

This could occur, for example, if a number of investors purchased the Issuer's publicly offered or exchange-listed securities (in respect of which a prospectus was published in a Member State of the European Union on or after 1 July 2005 in accordance with the relevant national laws enacted to implement the EU Prospectus Directive 2003/71/EC) and then exercised their right to withdraw pursuant to the domestic equivalent of Article 16 (2) of the EU Prospectus Directive 2003/71/EC. Withdrawal would be possible on this basis if material facts in the prospectus for securities issued by the Issuer after 1 July 2005 were incorrect or incomplete, or such facts arose after the prospectus was published and needed to be addressed in a supplement.

Furthermore, the Issuer's financial strength could be jeopardised as a result of claims based on liability for the contents of the prospectus ("prospectus liability") if material facts are negligently omitted or incorrectly described in the Issuer's prospectus and such negligence causes injury or damage to a large number of investors.

In accordance with Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, the last two years' audited historical financial information in any prospectuses prepared by the Issuer on or after 1 July 2005 pursuant to the national laws enacted to implement the EU Prospectus Directive 2003/71/EC must be presented and prepared in a form consistent with that which will be adopted in the Issuer's next published annual financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements. If, despite best efforts made, it is impossible for the Issuer to predict or seasonably implement such future changes, then there is a possibility that investors may withdraw from their transactions or enforce claims based on prospectus liability. In such cases, the Issuer could suffer considerable losses. Moreover, it is conceivable that an ongoing public offer and exchange listing of the securities in question will be suspended if the requirements for a continued listing are no longer met because of a delay in implementing accounting standards as described above. As a result thereof, the Issuer could sustain losses from compensatory damage claims enforced by investors, or the investors could lose the intrinsic value of their securities if they cannot enter into an off-exchange securities transaction with the Issuer because of a certain restriction under the public offering.

The Issuer has granted loans to various Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The total value of these loans equals approximately EUR 1.4 billion. The Issuer has essentially hedged the risk that these loans will not be serviced in accordance with the contractual obligations by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers. If the contractual obligations under the bonds unexpectedly require that the Issuer make payments to the bond holders, even though no corresponding payments were received from the borrowers, then the Issuer could face liquidity problems. The explanations regarding prospectus liability and the right to withdraw as described in the first two paragraphs above also apply *mutatis mutandis* to the bonds.

Liquidity risk despite control and profit (loss) transfer agreement

The Issuer belongs to the Citigroup Inc. Group. The Issuer and its direct parent company are parties to a control and profit (loss) transfer agreement, which is described more specifically below.

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

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

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

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

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

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

Proprietary trading risks related to derivative securities issued by the Issuer

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

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

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

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

Risks in the credit business

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

By the end of November 2005 the Issuer has been sued at the commercial court of the Canton of Zurich, Switzerland (“Handelsgericht des Kantons Zürich, Schweiz”) for payment of Euro 45.5 millions. The claim is said to be due to the rescission of the repayment of a syndicated loan which had been granted in July 2000 to LTU Group Holding GmbH under participation of the Issuer by a syndicate of banks. After examination of the claims raised so far, the Issuer is of the opinion that a predominant probability suggests the dismissal of the lawsuit.

The Issuer granted approximately EUR 1.4 billion in loans to Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The Issuer has hedged the risk that these loans will not be serviced in accordance with the contractual obligations (specifically the payment of interest and principal) by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers. The Issuer's default risks have thereby been transferred to investors. See also "Legal risks arising from the issued securities" regarding the legal risks of the issued bonds.

Risks of interest rate changes

Treasury assesses and controls the Issuer's interest rate risk. The Issuer's exposure to changes in interest rates is a mid to long-term risk and primarily affects holdings in liquid securities that were not originally covered by hedging transactions like interest rate swap agreements. The securities may be sold on short notice. A significant risk from interest rate changes could arise where interest rates are not monitored in a timely or sensitive manner, which could produce the concomitant danger that action to cover such interest rate exposure is not taken early enough.

Operating risk

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

Tax risks

The tax assessment notices served on the Issuer and/or on the company that was absorbed by the Issuer in 2003 as part of a merger (formerly Salomon Brothers AG) are typically provisional and made subject to an audit by the German tax authorities or a decision on specific issues by the relevant courts. This is a common procedure that allows tax authorities – in connection with a tax audit or following a general tax ruling by a competent tax court – to levy additional taxes years after a tax assessment was issued. The reservations generally involve issues of key importance to the Issuer such as the tax recognition of expenses incurred in hedging previously sold options and the tax recognition of expenses incurred when shareholders use debt to finance current assets.

General business risks

The Issuer's general business risks include any and all risks that do not qualify as either a market risk, a counterparty risk or a liquidity risk, such as

• Settlement risk
The risk that a business transaction is incorrectly processed or that a transaction is executed which is different from the intentions and expectations of the bank's management.

• Information risk
The risk that information, which was generated, received, transmitted or stored within or outside the Issuer's place of business, can no longer be accessed. Furthermore, such information may be of poor quality, or have been wrongly handled or improperly obtained. The information risk also includes risks that are generated by systems and used for processing information.

• Risk to reputation
This represents the Issuer's risk that its relations with its customers could be harmed if its services are poor or transactions are incorrectly executed. This risk also includes the risk of entering into business relations with counterparties, whose business practices do not conform to the standards or business ethics of the Issuer.

• Personnel risk
The Issuer has a high demand for qualified and specially trained professionals and managers. Personnel risk entails the risk of high staff turnover and the risk that the Issuer will be unable to retain a sufficient staff of qualified personnel, as well as the risk that the Issuer's employees may knowingly or negligently violate established regulations or the firm's business ethics standards.

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

4. Selected financial information about the Issuer

The statutory auditor of the Issuer and its managing general partner is

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Marie-Curie-Str. 30
D-60439 Frankfurt am Main.

The annual financial statements and management reports for fiscal year 1 January 2007 through 31 December 2007 as well as for fiscal year 1 January 2006 through 31 December 2006 as contained in the Issuer`s Registration Document dated 26 June 2008 were audited by the Issuer's statutory auditor and certified with an unqualified auditor's opinion. The Issuer`s Registration Document is incorporated in this Base Prospectus by reference on page F1 of the Issuer Description.

The annual financial statements for fiscal years 2007 and 2006 were prepared in accordance with the provisions of the German Banking Act (*Kreditwesengesetz*), the Stock Corporation Act (*Aktiengesetz*) and the Commercial Code (*Handelsgesetzbuch*), and with the provisions of the Regulation on Financial Institution Accounting.

The balance sheet and the income statement for fiscal years 2007 and 2006 are printed on pages B 20 through B 27.

The issuer is disclosing unaudited interim financial information on the first six months of the calendar year 2008. The Balance Sheet as of June 30, 2008 (June 30, 2007) and the Income Statement for the first six months of 2008 (first six months of 2007) were prepared under the responsibility of the issuer according to German Accounting Standards. The interim financial statements are printed on pages B 33 through B 36 below.

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Annual Balance Sheet as of December 31, 2007
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

Assets	EUR	EUR	EUR	2006: TEUR
1. Cash reserve				
a) Petty cash		5.109,32		10
b) Credit balances held at central banks		24.486.519,35		25.369
of which: the German Bundesbank (German Central Bank) EUR 24.486.519,35 (2006: TEUR 25.369)				
c) Credit balances held at post giro offices		-,--	24.491.628,67	-
2. Receivables from banks				
a) due upon demand		4.221.136.868,85		2.933.509
b) other receivables		5.938.532.522,10	10.159.669.390,95	3.180.949
3. Receivables from customers			1.781.977.323,39	3.388.719
of which: secured by mortgages or other real property				
security interests EUR -,-- (2006: TEUR -)				
Municipal loans EUR -,-- (2006: TEUR -)				
4. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-,--			-
ab) issued by others	-,--	-,--		-
b) Bonds and debt securities				
ba) issued by government institutions	123.520.687,66			532.046
of which: eligible as collateral with the German Bundesbank EUR 123.520.687,66 (2006: TEUR 532.046)				
bb) issued by others	-,--	123.520.687,66		-
of which: eligible as collateral with the German Bundesbank EUR -,-- (2006: TEUR -)				
c) Bank's own debt securities		-,--	123.520.687,66	-
Face value EUR -,-- (2006: TEUR -)				
5. Equities and variable-yield securities			1.712.951.407,16	1.089.985
6. Equity investments			367.944,56	368
of which: in banks EUR 217.842,30 (2006: TEUR 218)				
in financial services institutions EUR -,-- (2006: TEUR -)				
7. Trust assets			24.872.136,87	24.412
of which loans made by trusts EUR 24.872.136,87 (2006: TEUR 24.412)				
8. Intangible assets			3.328.388,67	4.068
9. Tangible assets			9.618.159,88	12.282
10. Other assets			2.116.368.041,15	1.104.885
11. Prepaid and deferred items			27.666,91	809
Total Assets			15.957.192.775,87	12.297.411

Liabilities and equity capital

	EUR	EUR	EUR	2006: TEUR
1. Liabilities owed to banks				
a) payable on demand		2.137.862.604,84		1.161.240
b) having an agreed term or notice period		5.234.514.438,06	7.372.377.042,90	2.709.209
2. Liabilities owed to customers				
a) savings deposits				
aa) having an agreed notice period of three months	-,--			-
ab) having an agreed notice period of more than three months	-,--	-,--		-
b) other liabilities				
ba) payable on demand	1.289.371.413,06			1.057.025
bb) having an agreed term or notice period	210.405.736,38	1.499.777.149,44	1.499.777.149,44	280.487
3. Securitized liabilities				
a) debt securities issued		1.398.480.565,37		3.039.542
b) other securitized liabilities		-,--		-
of which:				
money market paper EUR -,-- (2006: TEUR -)				
own acceptance and promissory notes outstanding EUR -,-- (2006: TEUR -)				
c) miscellaneous securitized liabilities		2.358.638.196,97	3.757.118.762,34	1.875.179
4. Trust liabilities			24.872.136,87	24.412
of which: trust loans EUR 24.872.136,87 (2006: TEUR 24.412)				
5. Other liabilities			2.429.492.251,05	1.297.576
6. Deferred items			83.082,33	124
7. Accrued liabilities				
a) pensions and similar obligations		120.983.836,11		114.948
b) tax accruals		33.809.889,57		21.738
c) other accrued liabilities		80.679.932,06	235.473.657,74	77.933
8. Subordinated liabilities			51.129.188,12	51.129
10. Equity capital				
a) subscribed capital				
aa) registered share capital	210.569.889,00			210.570
ab) silent partner capital	122.710.051,49	333.279.940,49		122.710
b) capital reserve	192.745.810,73	192.745.810,73		192.746
c) earnings reserve				
ca) legal reserve	32.927.197,15			32.927
cb) reserve for treasury shares	-,--			-
cc) reserve required by the articles of association	-,--			-
cd) other earnings reserve	27.916.536,71	60.843.733,86		27.916
d) unappropriated earnings/loss		-,--	586.869.485,08	-
Total Liabilities and Equity Capital			15.957.192.775,87	12.297.411

	EUR	EUR	Vorjahr TEUR
1. Contingent liabilities			
a) contingent liabilities from credited but uncleared bills of exchange	-,--		-
b) contingent liabilities from guarantees and warranty commitments	552.362.048,50		644.865
c) contingent liabilities from security provided on behalf of third parties	-,--	552.362.048,50	-
2. Other obligations			
a) commitment of fictitious repurchase (repo) agreements	-,--		-
b) placement and underwriting commitments	-,--		-
c) irrevocable lines of credit previously granted	968.571.763,29	968.571.763,29	1.040.465

Income Statement

for the period January 1 through December 31, 2007

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

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

	EUR	EUR	EUR	2006: TEUR
23. Income taxes		33.666.836,82		47.705
24. Other taxes, to the extent not included under item 12		-,--	33.666.836,82	./. 135
26. Profits transferred pursuant to profit pooling, profit transfer or partial profits transfer agreement			33.437.848,60	62.951
27. Annual net income for 2007			-,--	-
28. Profit carried forward/ loss-carry forward from 2006			-,--	-
			-,--	-
29. Transfers from capital reserves			-,--	-
			-,--	-
30. 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		-,--	-,--	-
			-,--	-
31. Transfers from capital with participation rights			-,--	-
			-,--	-
32. 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		-,--	-,--	-
			-,--	-
33. Replenishment capital with participation rights			-,--	-
34. Unappropriated earnings			-,--	-

Annual Balance Sheet as of December 31, 2006
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

Assets	EUR	EUR	EUR	2005: TEUR
1. Cash reserve				
a) Petty cash		10.130,62		4
b) Credit balances held at central banks		25.369.315,51		40.672
of which: the German Bundesbank (German Central Bank) EUR 25.369.315,51 (2005: TEUR 40.672)				
c) Credit balances held at post giro offices		-,--	25.379.446,13	-
2. Debt instruments issued by governmental institutions and bills of exchange, which are eligible for refinancing with central banks				
a) German treasury bills and non-interest bearing treasury shares as well as similar debt instruments issued by government institutions		-,--		148.916
of which: eligible for refinancing with the German Bundesbank EUR -,-- (2005:TEUR 148.916)				
b) Bills of exchange		-,--	-,--	-
of which: eligible for refinancing with the German Bundesbank EUR -,-- (2005: TEUR -)				
3. Receivables from banks				
a) due upon demand		2.933.508.790,81		2.031.938
b) other receivables		3.180.949.559,81	6.114.458.350,62	4.350.136
4. Receivables from customers			3.388.719.179,71	3.551.521
of which: secured by mortgages and other real property security interests EUR -,-- (2005: TEUR -)				
Municipal loans EUR -,-- (2005: TEUR -)				
5. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-,--			-
ab) issued by others	-,--	-,--		-
b) Bond and debt securities				
ba) issued by government institutions	532.046.138,68			477.237
of which: eligible as collateral with the German Bundesbank EUR 532.046.138,68 (2005: TEUR 477.237)				
bb) issued by others	-,--	532.046.138,68		-
of which: eligible as collateral with the German Bundesbank EUR -,-- (2005: TEUR -)				
c) Bank's own debt securities		-,--	532.046.138,68	-
Face value EUR -,-- (2005: TEUR -)				
6. Equities and variable-yield securities			1.089.984.461,27	1.273.052
7. Equity investments			367.944,56	368
of which: in banks EUR 217.842,30 (2005: TEUR 218)				
in financial services institutions EUR -,-- (2005: TEUR -)				
8. Interests in affiliated enterprises			-,--	-
of which: in banks EUR -,-- (2005: TEUR -)				
in financial services institutions EUR -,-- (2005: TEUR -)				
9. Trust assets			24.411.990,64	26.860
of which: loans made by trusts EUR 24.411.990,64 (2005: TEUR 26.860)				
10. Off-setting claims against the government including debt securities arising from their exchange			-,--	-
11. Intangible assets			4.067.797,45	4.456
12. Tangible assets			12.282.200,08	12.430
13. Unpaid contributions to subscribed capital			-,--	-
of which: called in EUR -,-- (2005: TEUR -)				
14. Treasury shares			-,--	-
nominal value EUR -,-- (2005: TEUR -)				
15. Other assets			1.104.884.779,46	1.055.613
16. Prepaid and deferred items			808.682,35	648
Total Assets			12.297.410.970,95	12.973.851

Liabilities and Equity Capital

	EUR	EUR	EUR	2005: TEUR
1. Liabilities owed to banks				
a) payable on demand		1.161.239.715,57		1.288.401
b) having an agreed term or notice period		2.709.209.530,64	3.870.449.246,21	3.288.532
2. Liabilities owed to customers				
a) savings deposits				
aa) having an agreed notice period of three months	-,--			-
ab) having an agreed notice period of more than three months	-,--	-,--		-
b) other liabilities				
ba) payable on demand	1.057.025.003,74			1.077.988
bb) having an agreed term or notice period	280.486.585,61	1.337.511.589,35	1.337.511.589,35	124.249
3. Securitized liabilities				
a) debt securities issued		3.039.541.523,04		3.393.634
b) other securitized liabilities		-,--		-
of which:				
money market paper EUR -,-- (2005: TEUR -)				
own acceptance and promissory note outstanding EUR -,-- (2005: TEUR -)				
c) miscellaneous securitized liabilities		1.875.179.138,40	4.914.720.661,44	1.760.052
4. Trust liabilities			24.411.990,64	26.860
of which: trust loans EUR 24.411.990,64 (2005: TEUR 26.860)				
5. Other liabilities			1.297.575.612,67	1.193.356
6. Deferred items			124.116,85	996
7. Accrued liabilities				
a) pensions and similar obligations		114.948.282,60		109.664
b) tax accruals		21.737.864,49		199
c) other accrued liabilities		77.932.933,50	214.619.080,59	81.700
8. Untaxed reserves			-,--	-
9. Subordinated liabilities			51.129.188,12	51.129
10. Capital participation rights			-,--	-
of which: maturity within two years EUR -,-- (2005: TEUR -)				
11. Funds for general banking risks			-,--	-
12. Equity capital				
a) subscribed capital				
aa) registered share capital	210.569.889,00			210.570
ab) silent partner capital	122.710.051,49	333.279.940,49		112.932
b) capital reserve	192.745.810,73	192.745.810,73		192.746
c) earnings reserve				
ca) legal reserve	32.927.197,15			32.927
cb) reserve for treasury shares	-,--			-
cc) reserve required by Articles of Association	-,--			-
cd) other earnings reserve	27.916.536,71	60.843.733,86		27.916
d) Unappropriated earnings/loss		-,--	586.869.485,08	-

	EUR	EUR	2005: TEUR
Total liabilities and Equity Capital		12.297.410.970,95	12.973.851
1. Contingent liabilities			
a) contingent liabilities from credited but uncleared bills of exchange	-,--		-
b) contingent liabilities from guarantees and warranty commitments	644.884.869,88		561.078
c) contingent liabilities when providing security on behalf of third parties	-,--	644.884.869,88	-
2. Other obligations			
a) commitment from fictitious purchase (repo) agreements	-,--		-
b) placement and underwriting commitments	-,--		-
c) irrevocable lines of credit previously granted	1.040.465.303,65	1.040.465.303,65	1.104.219

Income Statement
for the period January 1 through December 31, 2006
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

	EUR	EUR	EUR	2005: TEUR
1. Interest income from				
a) Loans and money market transactions	502.613.484,49			443.837
b) Fixed-income securities and debt register claims	19.765.602,10	522.379.086,59		26.992
2. Interest expenses		468.541.121,30	53.837.965,29	442.802
3. Current income from				
a) Shares and other variable-yield securities		14.861.470,14		10.752
b) Equity investments		470.913,00		108
c) Interest in affiliated enterprises		-,–	15.332.383,14	-
4. Income from profit pooling, profit transfer or partial profit transfer agreements			-,–	-
5. Commission income		190.717.212,40		175.859
6. Commission expenses		5.075.966,47	185.641.245,93	2.269
7. Net income from from financial trading operations			66.489.379,58	31.354
8. Other operating income			14.131.088,18	18.112
9. Income from the release of untaxed reserves			-,–	-
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	85.875.080,86			89.045
ab) Social security contributions, pension and welfare expenses	15.346.225,66	101.221.306,52		16.111
of which for pensions EUR 10.481.815,42 (previous year TEUR11,603)				
b) other administrative expenses		109.549.985,01	210.771.291,53	95.408
11. Amortization, depreciation and write-down of tangible and intangible assets			4.329.082,87	3.489
12. Other operating expenses			2.556.109,38	2.144
13. Write-downs of and provisions for receivables and certain securities and additions to loan reserves		6.935.212,62		-
14. Income from reversal of write-downs of receivables and certain securities and income from the reversal of loan reserves		-,–	./. 6.935.212,62	3.346
16. Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities		318.734,63		-
17. Income from the reversal of write-ups of equity investments, interests in affiliated enterprises and long-term securities		-,–	./. 318.734,63	481
18. Expenses from losses assumed			-,–	-
19. Transfers to untaxed reserves			-,–	-
20. Results from ordinary operations			110.521.631,09	59.573

	EUR	EUR	EUR	2005: EUR '000
21. Extraordinary income		-,–		-
22. Extraordinary expenses		-,–		-
23. Extraordinary result		-,–	-,–	-
24. Income taxes		47.705.406,96		22.927
25. Other taxes, to the extent not included under item 12		./. 135.003,17	47.570.403,79	-
26. Income from losses transferred			-,–	-
27. Profits transferred pursuant to profit pooling, profit transfer or partial profits transfer agreement			62.951.227,30	36.646
28. Annual net income for 2006			-,–	-
29. Profit carried forward/loss carry-forward from 2005			-,–	-
			-,–	-
30. Transfers from capital reserves			-,–	-
			-,–	-
31. 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		-,–	-,–	-
			-,–	-
32. Transfers from capital with participation rights			-,–	-
			-,–	-
33. 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		-,–	-,–	-
			-,–	-
34. Replenishment capital with participation rights			-,–	-
35. Unappropriated earnings			-,–	-

5. Governing bodies of the Issuer

The Issuer is a partnership limited by shares (KGaA), which is organised under the laws of Germany. The sole managing general partner is Citigroup Global Markets Management AG, Frankfurt am Main. The sole limited shareholder is Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, which is also the sole shareholder of Citigroup Global Markets Management AG.

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

Hans W. Reich, Frankfurt/Main, Chairman, having his business address at Reuterweg 16, Frankfurt/Main
Bradley J. Gans, London, Deputy Chairman
having his business address at Citigroup Global Markets Ltd., London, United Kingdom
Reiner Henszelewski, employee representative, having his business address at Reuterweg 16, Frankfurt/Main

The supervisory board of the general partner consists of the following members:

Hans W. Reich, Frankfurt/Main, Chairman, business address as indicated above
Bradley J. Gans, London, Deputy Chairman, business address as indicated above
Andres Recoder, having his business address at Reuterweg 16, Frankfurt/Main

The executive board of the general partner consists of the following members:

Maurice Thompson, Chairman, Strategy and Business planning
Dr. Helmut Gottlieb, Global Transaction Services
Fred B. Irwin, Business Services, Taxes, Public Relations, e-Banking and Fund Administration
Dr. Paul Lerbinger, Deputy Chairman, Customer Relations and Strategy (Banking)
Stefan Mülheim, Equities and Warrants Business, Alternative Investments, Fixed Income Product, Bond-issues and Asset Finance Product (together with Dr. Närger)
Dr. Nikolaus Närger (Co-Head Banking), Corporate Bank Product and Asset Finance Product (together with St. Mülheim)
Heinz P. Srocke, Risk Control, Market Risk, Credit Risk, Operational Risk, Liquidity Risk (Active-Passive-Management), Credit Administration and Accounting
Dieter Visser, Internal Business, Operations, Custodian Bank, IT, Human Resources, Asset Finance Operations, Legal Department and Management Office
Stefan Wintels (Co-Head Banking), Investment Bank Product
all having their business address at Reuterweg 16, 60323 Frankfurt/Main

6. Membership in the German Subgroup of Citigroup

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

Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is also a silent partner of the Issuer, having an equity interest totalling EUR 122,710,051.49 as of 31 December 2007.

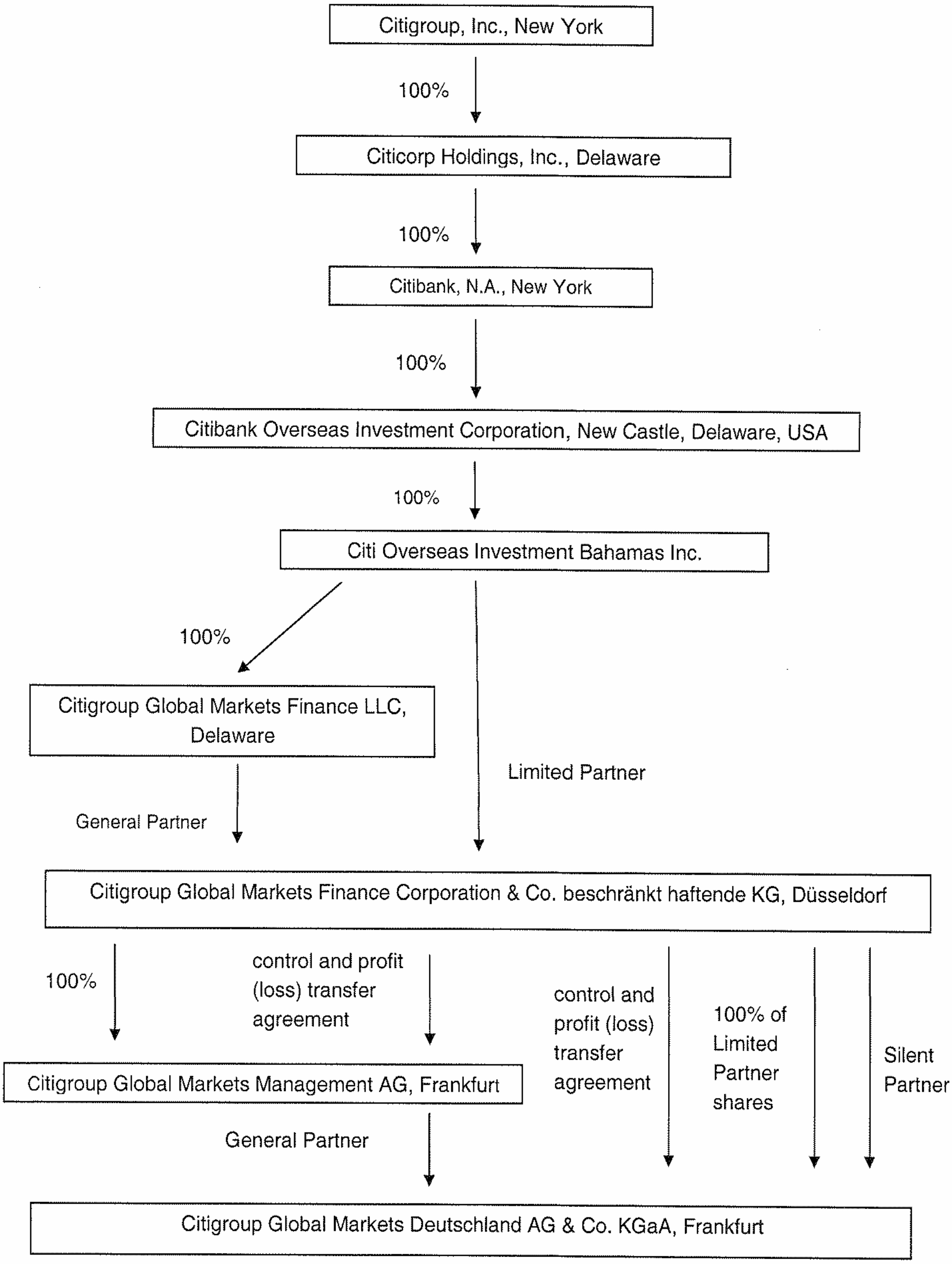
The general partner of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is Citigroup Global Markets Finance LLC, Delaware. The sole limited partner is Citi Overseas Investment Bahamas Inc.

All shares of Citigroup Global Markets Finance LLC are held by Citi Overseas Investment Bahamas Inc., the direct and indirect shareholder of which is Citibank Overseas Investment Corporation, New Castle, Delaware, USA. This company is in turn wholly-owned by Citibank, N.A., New York. Citibank, N.A., New York is a wholly-owned subsidiary of Citicorp Holdings Inc., Delaware, which in turn is a wholly owned subsidiary of Citigroup, Inc., New York.

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

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

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



Moreover, the Issuer and its general partner are obligated under the relevant agreement to transfer their entire profit to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG. As consideration for the transfer, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG is obligated pursuant to § 302 (1) and (3) of the German Stock Corporation Act to indemnify any annual net loss which the Issuer and the general partner incur during the term of the agreement.

7. History of the Issuer

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

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

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

In order to retain the Issuer, Citigroup Global Markets Deutschland AG & Co. KGaA, and its general partner, Citigroup Global Markets Management AG, within the German Citigroup Group a spin-off was carried out. Citicorp Deutschland GmbH agreed to transfer to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG with retroactive effect as of 2 January 2008 (i) all shares in the Issuer, (ii) all shares in the Issuers' 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 and profit (loss) transfer agreement between Citicorp Deutschland GmbH as controlling entity and the Issuers' 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.

8. Business overview

The Issuer operates a corporate and investment banking business, offering companies, governments and institutional investors comprehensive financial strategies in investment banking, fixed income, foreign exchange, equities and derivatives, and global transaction services. In addition, it is also a major Issuer of warrants and certificates, the final acquirers of which are mainly private investors.

9. Business with affiliated enterprises

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

10. Financial condition and outlook for the company

Citigroup Global Markets Deutschland will pursue a cautious strategy. The bank views the economic climate rather conservatively and will not assume any disproportionately high risks. Based on the discussions above, Citibank Global Markets Deutschland is forecasting satisfactory earnings for the current fiscal year of 2008.

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

There has been no material change in the Issuer's financial condition or trading position since the financial statments as of 31 December 2007 for which audited financial information was published.

With the exception of the following cases stated below there are no government interventions, legal proceedings or arbitration proceedings pending or threatened against the Issuer, which have been instituted against it and which may have or have had within the last twelve months significant effects on its financial condition or profitability.

By the end of November 2005 the Issuer has been sued at the commercial court of the Canton of Zurich, Switzerland ("Handelsgericht des Kantons Zürich, Schweiz") for payment of Euro 45.5 millions. The claim is said to be due to the recission of the repayment of a syndicated loan which had been granted to LTU Group Holding GmbH under participation of the Issuer by a syndicate of banks. After examination of the claims raised so far, the Issuer is of the opinion that a predominant probability suggests the dismissal of the lawsuit.

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

11. Other information

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

The Issuer employed an average of 467 staff members in fiscal year 2007.

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Interim Balance Sheet as of 30 June 2008 (unaudited)
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

Assets

	EUR	EUR	EUR	2007: TEUR
1. Cash reserve				
a) Petty cash		-,--		-
b) Credit balances held at central banks		15.049.454,74		579.338
of which: the German Bundesbank (German Central Bank) EUR 15.049.454,74 (6/30/07: TEUR 579.338)				
c) Credit balances held at post giro offices		-,--	15.049.454,74	-
2. Debt instruments issued by government institutions and bills of exchange, which are eligible for refinancing with central banks				
a) German treasury bills and non-interest bearing treasury shares as well as similar debt instruments issued by government institutions		-,--		-
of which: eligible for refinancing with the German Bundesbank EUR -,-- (6/30/07: TEUR -)				
b) Bills of exchange		-,--	-,--	-
of which: eligible for refinancing with the German Bundesbank EUR -,-- (6/30/07: TEUR -)				
3. Receivables from banks				
a) Due upon demand		3.654.539.935,91		3.986.303
b) Other receivables		3.786.711.496,49	7.441.251.432,40	3.466.585
4. Receivables from customers			1.390.608.061,02	2.665.932
of which: secured by mortgages or other real property security interests EUR -,-- (6/30/07: TEUR -)				
municipal loans EUR -,-- (6/30/07: TEUR -)				
5. Debt securities and other fixed-income securities				
a) Money market paper				
aa) issued by government institutions	-,--			-
ab) issued by others	-,--	-,--		-
b) Bonds and debt instruments				
ba) issued by government institutions	72.350.119,54			520.227
of which: eligible as collateral with the German Bundesbank EUR 72.350.119,54 (6/30/07: TEUR 520.227)				
bb) issued by others	-,--	72.350.119,54		
of which: eligible as collateral with the German Bundesbank EUR -,-- (6/30/07: TEUR -)				
c) Bank's own debt securities		-,--	72.350.119,54	-
face value EUR -,-- (6/30/07: TEUR -)				
6. Equities and variable-yield securities			1.468.032.276,73	1.634.811
7. Equity investments			367.944,56	368
of which: in banks EUR 217.842,30 (6/30/07: TEUR 218)				
in financial services institutions EUR 102,26 (6/30/07: TEUR -)				
8. Interests in affiliated enterprises			-,--	-
of which: in banks EUR -,-- (6/30/07: TEUR -)				
in financial services institutions EUR -,-- (6/30/07: TEUR -)				
9. Trust assets			-,--	22.916
of which: loans made by trusts EUR -,-- (6/30/07: TEUR 22.916)				
10. Off-setting claims against the government including debt securities arising from their exchange			-,--	-
11. Intangible assets			3.188.751,15	4.068
12. Tangible assets			9.073.779,55	10.771
13. Unpaid contributions to subscribed capital			-,--	-
of which: called in EUR -,-- (6/30/07: TEUR -)				
14. Treasury shares			-,--	-
nominal value EUR -,-- (6/30/07: TEUR -)				
15. Other assets			2.052.453.382,91	1.698.138
16. Prepaid and deferred items			1.574.108,09	1.476
17. Losses not covered by equity capital			-,--	-
Total Assets			12.453.949.310,69	14.590.933

Liabilities and equity

	EUR	EUR	EUR	2007: TEUR
1. Liabilities owed to banks				
a) Payable on demand		1.961.407.005,56		1.342.047
b) Having an agreed term or notice period		3.220.895.950,27	5.182.302.955,83	3.829.468
2. Liabilities owed to customers				
a) Savings deposits				
aa) having an agreed notice period of three months	-,--			-
ab) having an agreed notice period of more than three months	-,--	-,--		-
b) Other liabilities				
ba) payable on demand	1.138.809.059,35			1.556.185
bb) having an agreed term or notice period	76.775.494,17	1.215.584.553,52	1.215.584.553,52	494.426
3. Securitised liabilities				
a) Debt securities issued		850.641.739,89		2.050.854
b) Other securitised liabilities		-,--		-
of which: money market paper EUR -,-- (6/30/07: TEUR -)				
own acceptance and promissory notes outstanding EUR -,-- (6/30/07: TEUR -)				
c) Miscellaneous securitised liabilities		2.136.074.602,40	2.986.716.342,29	2.301.088
4. Trust liabilities			-,--	22.916
of which: trust loans EUR -,-- (6/30/07: TEUR 22.916)				
5. Other liabilities			2.244.089.919,24	2.169.722
6. Deferred items			84.895,09	122
7. Accrued liabilities				
a) Pensions and similar obligations		124.839.357,91		117.390
b) Tax accruals		205.770,06		14.556
c) Other accrued liabilities		80.758.165,14	205.803.293,11	54.161
8. Untaxed reserves			-,--	-
9. Subordinated liabilities			51.129.188,12	51.129
10. Capital participation rights			-,--	-
of which: maturity within two years EUR -,-- (6/30/07: TEUR -)				
11. Funds for general banking risks			-,--	-
12. Equity capital				
a) Subscribed capital				
aa) registered share capital	210.569.889,00			210.570
ab) silent partner capital	104.078.729,93	314.648.618,93		122.710
b) Capital reserve	192.745.810,70	192.745.810,70		192.746
c) Earnings reserves				
ca) legal reserve	32.927.197,15			32.927
cb) reserve for treasury shares	-,--			-
cc) reserve required by articles of association	-,--			-
cd) other earnings reserve	27.916.536,71	60.843.733,86		27.916
d) Unappropriated earnings/loss		-,--	568.238.163,49	-
Total Liabilities and Equity			12.453.949.310,69	14.590.933

	EUR	EUR	2007: TEUR
1. Contingent liabilities			
a) Contingent liabilities from credited but uncleared bills of exchange	-,--		-
b) Contingent liabilities from guarantees and warranty commitments	466.892.813,24		624.902
c) Contingent liabilities from security provided on behalf of third parties	-,--	466.892.813,24	-
2. Other obligations			
a) Commitment under fictitious repurchase (repo) agreements	-,--		-
b) Placement and underwriting commitments	-,--		-
c) Irrevocable lines of credit previously granted	948.127.447,00	948.127.447,00	918.728

Income Statement
of
Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main
for the period of January 1 through June 30, 2008

	EUR	EUR	EUR	6/30/07: TEUR
1. Interest income from				
a) Loans and money market transactions	243.777.438,60			263.478
b) Fixed-income securities and debt registered claims	1.897.929,67	245.675.368,27		11.392
2. Interest expenses		203.732.393,58	41.942.974,69	234.400
3. Current income from				
a) Shares and other variable-yield securities		26.751.310,71		25.342
b) Equity investments		19.808,70		405
c) Interest in affiliated enterprises		-,--	26.771.119,41	-
4. Income from profit pools, profit transfer or partial profit transfer agreements			-,--	-
5. Commission income		46.315.592,77		74.583
6. Commission expenses		1.756.839,11	44.558.753,66	3.240
7. Net income from financial trading operations		./.	41.129.136,00	846
8. Other operating income			2.419.795,93	9.517
9. Income from the release of untaxed reserves			-,--	-
10. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	69.744.177,64			51.520
ab) social security contributions, pension and welfare expenses	4.079.103,12	73.823.280,76		3.740
of which: for pensions EUR 1.266.904,67 (2007: TEUR 1,266)				
b) Other administrative expenses		43.840.951,49	117.664.232,25	51.532
11. Amortisation, depreciation, and write-downs of tangible and intangible assets			2.397.257,63	2.177
12. Other operating expenses			1.283.532,45	295
13. Write-downs of and provisions for receivables and certain securities in addition to loan reserves		-,--		2.654
14. Income from reversal of write-downs of receivables and certain securities in income from reversal of loan reserves		1.882.382,00	1.882.382,00	-
15. Write-downs of and provisions for equity investments, interests in affiliated enterprises and long-term securities		-,--		460
16. Income from the reversal of write-ups of equity investments, interests in affiliated enterprises and long-term securities		2.312,92	2.312,92	-
17. Expenses from losses assumed			-,--	-
18. Transfer to untaxed reserves			-,--	-
19. Result from ordinary operations		./.	44.896.819,72	35.545

	EUR	EUR	EUR	2007: TEUR
20. Extraordinary income		-,--		-
21. Extraordinary expenses		-,--		-
22. Extraordinary result		-,--	-,--	-
23. Income taxes		2.693.212,10		13.190
24. Other taxes, to the extent not included under item 12		0,00	2.693.212,10	-
25. Income from losses assumed			47.590.031,82	-
26. Profits transferred pursuant to profit pooling, profit transfer and partial profits transfer agreement			-,--	22.355
27. Annual net income (year to date)			-,--	-
28. Profit carried forward/loss carried forward from 2007			-,--	-
			-,--	-
29. Transfers from capital reserves			-,--	-
			-,--	-
30. Transfers from earnings reserves				
a) from legal reserve		-,--		
b) from reserve for treasury shares		-,--		
c) from reserves required by the bank's articles of association		-,--		
d) from other earnings reserves		-,--	-,--	-
			-,--	-
31. Transfers from capital with participation rights			-,--	-
			-,--	-
32. 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		-,--	-,--	-
			-,--	-
33. Replenishment capital with participation rights			-,--	-
34. Unappropriated earnings			-,--	-

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C. Risk factors specific to the Issuer

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

<u>Risk that the Issuer will provide limited or no price quotes</u>

Since warrants usually have a time value and therefore their premature exercise (where the warrants can be exercised at any time) would be unwise because otherwise the time value is lost, the ability to sell the warrants described in this prospectus at any time prior to expiry is very important to you. This is where the Issuer's voluntary intention to quote buying and offered prices is of fundamental importance. Accordingly, one of the largest risks you face is that the Issuer will limit or completely renege on its voluntary intention to quote prices. In such a situation and assuming no one else quotes prices for the warrants, your only option would be, in the worst case scenario, to exercise the warrants and lose the time value that may have accrued. The same applies in the event that the exchange listing of the instrument is suspended prematurely.

Taking a different angle, this risk also applies in cases where the warrant can be exercised only on the expiry date (European-style warrants). If the Issuer does not quote buying and offered prices or suspends the listing, then your only alternative in the event that you cannot find a purchaser yourself is to wait until the securities expire. For the period until expiry, you bear the risk that the intrinsic value upon exercise will fall because the price of the underlying falls, or that the securities expire with no intrinsic value at all.

<u>Risk of disrupted securities clearing and settlement or disrupted exchange trading</u>

Where the warrant holder sells the warrants to the Issuer or through a stock exchange, the transaction is settled by payment concurrent upon delivery. In order to exercise warrants, the warrant holder must first transfer its securities to the Issuer. Where warrants are transferred to the Issuer for the purpose of exercise or sold over the stock exchange or to the Issuer, the Issuer will be unable to settle the securities' delivery without the support of third parties, in particular the systems of participating securities depositaries or stock exchanges. If, for whatever reason, the ability of such participating securities depositaries or stock exchanges to provide their clearing and settlement services is impaired, then for the period of such disruption, the Issuer will not be able to accept an exercise or to deliver on any trades. Possible reasons why the Issuer or any aforementioned required third parties are unable to settle securities trades include, for example, technical disruptions as a result of power failures, fires, bomb threats, sabotage, computer viruses, computer errors or attacks. The same applies in the event such disruptions occur at the warrant holder's custodian bank.

<u>Legal risks arising from the issued securities</u>

The Issuer's financial strength could be jeopardised if material components of agreements entered into with third parties prove to be invalid or unenforceable in key respects.

This could occur, for example, if a number of investors purchased the Issuer's publicly offered or exchange-listed securities (in respect of which a prospectus was published in a Member State of the European Union on or after 7 July 2005 in accordance with the relevant national laws enacted to implement the EU Prospectus Directive 2003/71/EC) and then exercised their right to withdraw pursuant to the domestic equivalent of Article 16 (2) of the EU Prospectus Directive 2003/71/EC. Withdrawal would be possible on this basis if material facts in the prospectus for securities issued by the Issuer after 1 July 2005 were incorrect or incomplete, or such facts arose after the prospectus was published and needed to be addressed in a supplement.

Furthermore, the Issuer's financial strength could be jeopardised as a result of claims based on liability for the contents of the prospectus ("prospectus liability") if material facts are negligently omitted or incorrectly described in the Issuer's prospectus and such negligence causes injury or damage to a large number of investors.

In accordance with Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, the last two years' audited historical financial information in any prospectuses prepared by the Issuer on or after 1 July 2005 pursuant to the national laws enacted to implement the EU Prospectus Directive 2003/71/EC must be presented and prepared in a form consistent with that which will be adopted in the Issuer's next published annual financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements. If, despite best efforts made, it is impossible for the Issuer to predict or seasonably implement such future changes, then there is a possibility that investors may withdraw from their transactions or enforce claims based on prospectus liability. In such cases, the Issuer could suffer considerable losses. Moreover, it is conceivable that an ongoing public offer and exchange listing of the securities in question will be suspended if the requirements for a continued listing are no longer met because of a delay in implementing accounting standards as described above. As a result thereof, the Issuer could sustain losses from compensatory damage claims enforced by investors, or the investors could lose the intrinsic value of their warrants if they cannot enter into an off-exchange warrant transaction with the Issuer because of a certain restriction under the public offering.

The Issuer has granted loans to various Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The total value of these loans equals approximately EUR 1.4 billion. The Issuer has essentially hedged the risk that these loans will not be serviced in accordance with the contractual obligations by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers. If the contractual obligations under the bonds unexpectedly require that the Issuer make payments to the bond holders, even though no corresponding payments were received from the borrowers, then the Issuer could face liquidity problems. The explanations regarding prospectus liability and the right to withdraw as described in the first two paragraphs above also apply *mutatis mutandis* to the bonds.

<u>Liquidity risk despite control and profit (loss) transfer agreement</u>

The Issuer belongs to the Citigroup Inc. Group. The Issuer and Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG have entered into a control and profit (loss) transfer agreement, which is described more specifically below.

Under the agreement, the Issuer's management is subject to the direction of Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG. Profits must be transferred to Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, and losses must be indemnified by Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG.

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

Despite the control and profit (loss) transfer agreement, the Issuer may be unable to meet its obligations under the securities if the Issuer generates a net loss and Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, which is required to indemnify the loss, is unable to meet its contractual obligations as a result of its own liquidity problems or over-indebtedness.

<u>Brokering transactions for other Group companies and allocation of work among Citigroup companies</u>

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

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

Proprietary trading risks related to derivative securities issued by the Issuer

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

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

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

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

Risks in the credit business

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

By the end of November 2005 the Issuer has been sued at the commercial court of the Canton of Zurich, Switzerland ("Handelsgericht des Kantons Zürich, Schweiz") for payment of Euro 45.5 millions. The claim is said to be due to the recission of the repayment of a syndicated loan which had been granted to LTU Group Holding GmbH under participation of the Issuer by a syndicate of banks. After examination of the claims raised so far, the Issuer is of the opinion that a predominant probability suggests the dismissal of the lawsuit.

The Issuer granted approximately EUR 1.4 billion in loans to Russian and Kazakh companies in the energy, engineering, oil and financial services sectors. The Issuer has hedged the risk that these loans will not be serviced in accordance with the contractual obligations (specifically the payment of interest and principal) by issuing bonds, which provide that the Issuer is obligated to make payment only to the extent that it receives payment from the borrowers. The Issuer's default risks have thereby been transferred to investors. See also "Legal risks arising from the issued securities" regarding the legal risks of the issued bonds.

Risks of interest rate changes

Treasury assesses and controls the Issuer's interest rate risk. The Issuer's exposure to changes in interest rates is a mid to long-term risk and primarily affects holdings in liquid securities that were not originally covered by hedging transactions like interest rate swap agreements. The securities may be sold on short notice. A significant risk from interest rate changes could arise where interest rates are not monitored in a timely or sensitive manner, which could produce the concomitant danger that action to cover such interest rate exposure is not taken early enough.

Operating risk

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

Tax risks

The tax assessment notices served on the Issuer and/or on the company that was absorbed by the Issuer in 2003 as part of a merger (formerly Salomon Brothers AG) are typically provisional and made subject to an audit by the German tax authorities or a decision on specific issues by the relevant courts. This is a common procedure that allows tax authorities – in connection with a tax audit or following a general tax ruling by a competent tax court - to levy additional taxes years after a tax assessment was issued. The reservations generally involve issues of key importance to the Issuer such as the tax recognition of expenses incurred in hedging previously sold options and the tax recognition of expenses incurred when shareholders use debt to finance current assets.

General business risks

The Issuer's general business risks include any and all risks that do not qualify as either a market risk, a counterparty risk or a liquidity risk, such as

• Settlement risk
The risk that a business transaction is incorrectly processed or that a transaction is executed which is different from the intentions and expectations of the bank's management.

• Information risk
The risk that information, which was generated, received, transmitted or stored within or outside the Issuer's place of business, can no longer be accessed. Furthermore, such information may be of poor quality, or have been wrongly handled or improperly obtained. The information risk also includes risks that are generated by systems and used for processing information.

• Risk to reputation
This represents the Issuer's risk that its relations with its customers could be harmed if its services are poor or transactions are incorrectly executed. This risk also includes the risk of entering into business relations with counterparties, whose business practices do not conform to the standards or business ethics of the Issuer.
• Personnel risk

The Issuer has a high demand for qualified and specially trained professionals and managers. Personnel risk entails the risk of high staff turnover and the risk that the Issuer will be unable to retain a sufficient staff of qualified personnel, as well as the risk that the Issuer's employees may knowingly or negligently violate established regulations or the firm's business ethics standards.

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

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D. Risk factors associated with the securitites

1. General risk factors of warrants

The general risk factors of warrants, as subsequently described, apply to all type of warrants included in this base prospectus. All references to call or put warrants in this paragraph should also be understood as references to bull and bear warrants. Specific risk factors of individual types of warrants are described under 2 through 5.

Risk of losing entire investment

Warrants are very high-risk investment instruments. If you invest in warrants, you run a particularly high risk of losing some or all of the capital you invested, plus the transaction costs and, if applicable, loan costs. The rights certificated in warrants may expire or become worthless because this type of instrument always embodies rights of limited duration only.

If you purchase warrants, you acquire the right to receive a sum of money from the Issuer subject to certain conditions, and the amount you receive will equal the warrants' intrinsic value upon exercise or expiry (converted to euros, if applicable). This right is framed differently for call and put warrants: while the intrinsic value (according to the warrant terms and conditions) of call warrants depends on the amount by which the reference price of the underlying exceeds the strike price, for put warrants the intrinsic value depends on the amount by which the reference price of the underlying falls below the strike price, in each case being multiplied by the subscription ratio. In general, the value of the warrant will change during its term in line with the price of the underlying: if all other factors affecting price are disregarded, a call warrant will often drop in value if the price of the underlying falls. The opposite is true for put warrants – the value of a put warrant will fall if the price of the underlying increases. Your entire investment will be lost if the warrant is worthless when it expires, i.e. if the price of the underlying at the end of the exercise period or in case of expiry is less (call warrants) or more (put warrants) than the strike price. Total loss means that the option has no intrinsic value when it expires, and the warrant holder cannot thereby claim payment of any intrinsic value upon exercise.

A warrant does not embody a right to receive interest or dividend payments and therefore does not yield any regular income. Thus, any decrease in the value of the warrant cannot be offset by other income generated by the warrant.

Risk of losing your entire investment is not limited to the price of the warrant since there are also transaction costs and sometimes loan costs involved

Irrespective of and in addition to the risk of losing your entire investment, there is also the risk that your gain or loss will be affected by transaction costs, which are invoiced by the custodian bank or the stock exchange through which you execute your buy or sell orders. Transaction costs may make your loss even greater.

The risk increases even more if you borrow money to finance the acquisition of warrants. In this case, not only do you have to accept the loss incurred should the market perform contrary to your expectations, but you must also pay interest on and repay the loan. Therefore, you should never rely on being able to repay the loan principal and interest out of profits made on warrants. Instead, before purchasing the warrants and taking out a loan, review your financial situation to see whether you would still be able to pay interest and repay the loan (potentially on short notice) if you sustain a loss instead of making the anticipated profit.

Disproportionate fluctuation of warrant prices (leverage)

One of the key features of warrants is their so-called “leverage”: a change in the value of the underlying can have a disproportionate impact on the value of the warrant. At the same time, warrants are also subject to a disproportionate risk of loss. A warrant's leverage can work in each direction; in other words, an investor may be advantaged or disadvantaged depending on whether the factors that determine value develop favourably or unfavourably. Thus, when purchasing warrants, you should take into account the fact that as the leverage of a warrant grows, so does the associated risk of loss.

Risks of warrants with currency protection (Quanto warrants)

The price of warrants with currency protection assuming that all other value determining factors remain constant, may react to currency fluctuations prior to final maturity or redemption. At maturity warrants with currency protection and a specified term are not exposed to any currency risks between the disbursement currency and the currency of the underlying. However, this does not apply if you intend to sell the warrants on the secondary market during the term of the warrants. In this case you may be exposed to an unlimited currency risk.During the maturity of warrants with currency protection the value is pending on different influencing factors. The pricing model respects the interest rate of the currency in which the underlying is quoted, the interestrate of the disbursement currency, the volatility of the exchange rate between the both currencies and the supposed correlation between the exchange rate and the price of the underlying. In this regard the price of the warrant with currency protection regularly increases; but it can also decrease. You must calculate that you have to pay possible costs arising from the currency protection. Upon redemption by the warrant holder respectively termination by the Issuer, the disbursement amount of open end warrants without defined final maturity will be calculated on the basis of the currency exchange rate determined at the issue date without respecting any exchange rate risks. In a second step the disbursement amount will be decreased (in case of net asset costs) or increased (in case of net asset proceeds) by the net costs of the currency protection since the issue date calculated by the Issuer in its reasonable discretion. The calculation cycle of the net asset costs of the currency protection is stipulated in the terms and conditions and usually occurs daily but can also be constituted to the maximum cycle of the redemption right (e.g.once a month). The Issuer respects the daily net asset costs of the currency protection within its pricing of the warrants on the secondary market.

Issuer's hedging transactions

In order to hedge its obligations under warrants, the Issuer continually trades in the underlying, in derivatives referenced to the underlying, or in other underlyings or derivatives which influence the price of the underlying or whose price or volatility closely tracks the price movement or volatility of the underlying.

In general, such hedging transactions have the potential to amplify changes in the price of the underlying or the underlying's volatility, i.e. additional hedging positions may cause prices that are increasing anyway to increase even further, and vice versa for falling prices. If such price trends are intended to be reinforced, this would accordingly affect the price of the warrant or the gain or loss upon exercise of the warrant.

The Issuer executes hedging transactions on an ongoing basis (i.e. at any time). The Issuer will make appropriate adjustments to its matching positions, particularly if one of the value determining factors changes.

The Issuer will also adjust its hedging positions if it sells additional warrants (its net position in the class increases) or buys back warrants (and its net position in the class decreases).

If the warrants are exercised during their term, and above all if they are exercised shortly before or upon the expiry date, then the Issuer will once again close out the associated hedging positions. In particular, if warrants are exercised on the expiry date, such action may result in all hedging positions being closed out within a short period of time. Depending on the number of exercisable warrants, the then-prevailing market situation and the liquidity of the respective underlying, it is possible that this will adversely affect the reference price of the underlying when the warrant is exercised and thus also adversely affect the type and magnitude of the disbursement amount.

Transactions that exclude or limit risks

Do not rely on the ability at any time during the term of the warrant to enter into transactions through which you can exclude or limit the risks associated with warrants. It may be impossible to execute such transactions, or such transactions might be capable of execution, but only at a loss to you.

Secondary market in the warrants

Under normal market conditions, the Issuer intends to regularly quote buying and offered prices for the warrants. Nevertheless, the Issuer does not provide any legal undertaking to warrant holders that it will quote such prices or that such prices are calculated or reasonable. Even if the warrants are listed, it cannot be guaranteed that the listing will be permanently maintained.Therefore, you should not rely on the ability to sell at a certain time or at a certain price during the term of the warrant.

Deviation of the pricing model

In general, market prices are determined by supply and demand. The prices of Warrants are subject to the competitive situation and, in this context, the profit margins available to the supply side.

The pricing model applied by the Issuer does only state theories with regard to events materialising in reality. In particular, the Issuer may and must make the reservation to adjust its price quotation according to material deviations of realty from the assumptions inherent in the model. However, the model applied by the Issuer is of paramount importance as the Issuer usually will be the only market participant to quote buy and sell prices for its securites.

Restricted secondary trading if the electronic trading system is unavailable

Due to the large number of trades in derivative securities typically handled by the Issuer, it is particularly important for the Issuer and warrant holders that trading in the warrants be conducted *via* an electronic trading system so that buying and offered prices can be quoted for exchange and off-exchange trading. If the electronic trading system used by the Issuer were to become partially or completely unavailable, then such a development would have a corresponding effect on the tradability of the warrants.

Risk of estimating the price of the underlying

If the underlying is traded on its home market by the Issuer or through the relevant stock exchange at times when there is trading in the warrants on the secondary market, then the price of the underlying is incorporated as a known variable into the warrant pricing calculation. By way of exception, however, the price of the underlying may also need to be estimated, if the warrant referenced to the underlying is traded at a time when the market for the underlying is in fact closed. In general, this problem could apply to all warrants irrespective of the time at which they are traded because the Issuer currently offers off-exchange trading in its warrants at times when, for example, Central European shares or share indexes are not usually traded on the local markets or stock exchanges. This problem applies above all to underlying instruments that are traded in time zones that are far removed from Central Europe, such as American or Japanese shares or share indexes in those regions. The same problem may arise if the warrants cannot be traded because of a public holiday on the secondary market, while the home market for the underlying is open. If the Issuer estimates the price of the underlying when the home market is closed, its estimate may prove to be accurate, too high or too low within just a few hours of the home market reopening for trade in the underlying. Accordingly, the warrant prices set by the Issuer prior to the home market opening may prove to be too high or too low after the fact. If you wish to avoid this risk, make sure where possible that you execute your buy or sell orders at a time when the home market for your warrant's underlying is open.

The effect of market depth in the underlying on warrant pricing

The less liquidity the underlying has or the greater the spread between the buying and offered prices for the underlying or the derivatives referenced thereto, the higher the warrant Issuer's hedging costs tend to be. When quoting prices for the warrants, the Issuer will factor in such hedging costs and will pass them on to the warrant holders by incorporating them in the buying and offered prices.

Hedging transactions executed by warrant purchasers

Potential purchasers of warrants, who wish to hedge against the market risks associated with an investment in the underlying by purchasing the offered warrants, should be aware of the difficulties associated with hedging. For example, the value of the warrants is not necessarily directly linked to the value of the underlying. Due to fluctuations in the supply of and demand for the warrants, it cannot be guaranteed that the value of the warrants will increase or decrease in line with the price of the underlying.

Risk of default by the warrant Issuer

The warrants represent general and non-collateralised contractual liabilities of the Issuer, which are ranked equally among themselves and with the Issuer's other existing, non-collateralised, non-subordinated liabilities. If the Issuer becomes insolvent, you may suffer a loss, potentially of your entire investment, irrespective of any favourable development of the other value determining factors, such as the underlying or the volatility of the warrants. As bearer securities, the warrants are not covered under deposit protection [Einlagensicherung].

Intrinsic value may be subject to currency risk

For the period during which you hold the warrants, the return on your investment is subject to a currency risk if the underlying of the warrant is expressed in a currency other than the currency in which you hope to generate a gain (investor's target currency). The currency in which the disbursement amount is paid out (disbursement currency) and the currency in which the warrants are traded either on or off the stock exchange (trading currency) must be distinguished from the investor's target currency.

There may also be a currency risk inherent in the warrants if the disbursement currency or trading currency is different from the currency in which the underlying is expressed or denominated. However, the question of whether the investor faces a commercial currency risk will be determined by comparing the currency of the underlying with the investor's target currency.

Example: (1) The underlying is expressed in US dollars, the investor lives in the euro-zone and hopes to generate a gain in euros. While the investor holds the warrants, he is exposed to a currency risk between the US dollar and the euro; (2) but if the investor lives in a country in the euro-zone and hopes to make a gain in US dollars, then there will be no currency risk for the period during which the investor holds the warrants. However, the investor will face a short-term currency risk from the date of exercise or sale until the exercise or sales proceeds are converted from euros into US dollars. The investor himself is responsible for converting from euros to US dollars, however.

The currency, in which the investor hopes to make a gain, must be distinguished from the currency, in which the disbursement amount or the proceeds from the sale of the warrants is paid out (disbursement currency). If the currency of the underlying instrument and the currency of the return sought by the investor are identical, then he may still be exposed to a short-term currency risk inasmuch as the disbursement amount or sales proceeds in example (2) above are initially converted by the Issuer from US dollars into euros, and this disbursement amount may then be converted back into US dollars at the investor's own volition and for his own account. The greater the time difference between the two currency conversions and the greater the volatility of the exchange rate, the greater the risk of currency fluctuations to the detriment of the investor.

Minimum exercise volume

Warrants that may be exercised at any time (American-style warrants) may only be exercised in volumes equal to or greater than the minimum exercise volume as determined in the final terms. No minimum volume applies to European-style warrants, which are automatically exercised upon the expiry date.

Impossible to forecast the disbursement amount upon exercise

The proceeds cannot be precisely forecast when warrants are exercised because the reference price of the underlying, which is used as the basis for settlement (i.e., compared with the strike price), cannot be determined until all exercise prerequisites have been met. The longer actual settlement and clearing takes, the greater the risk associated with the volatility of the underlying, i.e., the greater the risk that the underlying will perform poorly or even lose its entire value between the time that you decide to exercise your warrants and the time when the reference price applicable upon exercise is determined. In some cases, even greater loss may be sustained as a result of adverse currency fluctuations during the aforementioned period (see also above "Intrinsic value may be subject to currency risk").

Potential conflicts of interest

The Issuer, its affiliated enterprises (if applicable) or other companies belonging to or affiliated with Citigroup Inc. (the "Companies") may actively trade in the underlying, other instruments or derivatives referenced to the underlying, exchange-traded options or exchange-traded forwards, or may issue other securities or derivatives referenced to the underlying. The Companies may also be involved in acquiring new shares or other underlying instruments or individual companies incorporated in share indexes or equities baskets, or may act as financial advisor to the aforementioned entities or work together with them in commercial banking operations. The above activities may give rise to conflicts of interest and may adversely affect the price of the underlying or securities referenced to the underlying (such as the warrants).

Effects of market disruptions on exercise or secondary trading

If market disruptions affecting the underlying occur at the time of exercise, then the Issuer reserves the right to postpone the date for calculating the reference price applicable upon exercise. Such action may give rise to an additional risk for you if the underlying performs poorly during the period of the postponement or, if applicable, the exchange rate for converting the intrinsic value into euros falls.

Market disruptions are any suspension of or significant restriction on trading in the underlying, its components or certain derivatives referenced to the underlying, in each case on certain organised markets.

With respect to trading warrants, a postponement in the exercise of the warrants as a result of market disruptions will be deemed to have occurred in the event that the quotation of the Issuer’s buying and offered prices is suspended or greatly limited, only prices for smaller volumes are quoted, the spread between the buying and offered prices expands, or there has been a combination of the foregoing occurrences. The aforementioned occurrences may temporarily or permanently restrict the saleability of the warrants, make them more expensive or saddle them with an additional price risk, particularly if the price of the underlying develops negatively in such a situation.

Postponement of exercise as a result of political risk

In the event that the Issuer or the respective exercise agent is not actually or legally in a position to fulfill its liabilities under the warrants in a legally admissible fashion in Frankfurt am Main or at the place of the respective exercise agent (e.g., because of a moratorium or legal prohibition imposed in connection with certain political events), then the due date of such liabilities will be postponed until the date on which it is actually or legally feasible for the Issuer or the respective exercise agent to fulfill its liabilities in Frankfurt am Main or the place of the exercise agent. The warrant holders will not be entitled, as a result of such postponement, to enforce any rights against the assets of the Issuer or the exercise agent, which are located in Frankfurt am Main or elsewhere.

If any of the events described above affect only the exercise agent and not the Issuer, then the Issuer shall, at the request of warrant holders, satisfy its obligations under the warrants in Frankfurt am Main instead of the place of the exercise agent.

Substantial change of the warrant price as a result of adjustment or substitution of the underlying

If the underlying is replaced by another underlying (e.g., in the event that a stock corporation is taken over by or merged with another listed stock corporation), or if the old underlying is no longer listed, or if a share index is discontinued and replaced by another share index, then the implied volatility of the new underlying as estimated by the Issuer may be lower or higher than the volatility of the old underlying. Any such major jump in volatility will adversely affect the warrant price if the implied volatility of the new underlying is less than that of the old underlying. In addition, if the existing underlying is substituted and the price prospects for the new underlying are worse than those for the old underlying, then such a development could have an adverse effect on the price of call warrants, while better price prospects for the new underlying could have an adverse effect on the value of put warrants.

If it is not possible to adjust the underlying in line with the changes that have occurred, then the warrants may expire with no value or may be repaid early at current fair market value. Even in the event of early repayment at market value, you are still exposed to a risk of loss should the fair market value at such time be less than the price at which you purchased the warrants. With this type of security at least, you no longer have an opportunity to recoup any losses.

Price risk and risk of illiquid secondary market in the case of European-style warrants

In the case of warrants that may be exercised only at the end of their term ("European-style warrants"), you can realise the value of your warrants prior to the expiry date only by selling the warrants at the current market price. See also "Secondary market in the warrants" above.

2. Risks factors specific to plain vanilla, call or put warrants

In general, the price of a warrant prior to the expiry date will be higher than the expected intrinsic value upon exercise. The difference between the price of the warrant and its intrinsic value is described as the time value. The warrant price reflects the net present value of the anticipated intrinsic value shortly before expiry of the warrant. The probability of positive movements in the price of the underlying decreases as the warrant's term to expiry elapses, which means that the value of a warrant will decrease if all other value determining factors remain constant. Assuming that all other factors remain constant or unchanged, the time value of the warrant will decrease (first slowly and then more and more rapidly) as the term to expiry becomes shorter. The decline in the time value accelerates towards the end of the exercise period because the probability of a positive intrinsic value upon expiry rapidly decreases as the term to expiry gets shorter and shorter. At the end of the exercise period, the time value must necessarily be zero because an exercise of the warrant can yield no more than the intrinsic value.

The probability of also losing the entire intrinsic value of the warrant price as of the time of acquisition (to the extent available at the time) increases the more the strike price exceeds (call) or falls below (put) the current price of the underlying or the shorter the warrant's term to expiry.

If the price of a warrant includes a positive time value, it makes no sense to exercise the warrant because exercising the warrant would merely yield the intrinsic value and otherwise the time value would be lost. Accordingly, in this case, you might specifically consider selling the warrant. If the time value were positive, it would make sense to exercise the warrant and lose its time value only if the secondary market were illiquid.

Other value determining factors

The value of a warrant depends not only on the development of the underlying (1), but also on various other factors. These factors include the length of the remaining exercise period for the warrant (2), the frequency and magnitude of future fluctuations in the price of the underlying during the remaining exercise period as forecast by the market (or the Issuer if the Issuer is the sole market maker and limits the price range through its own buying and offered prices) (implied volatility) (3), interest rates on the money market for the remaining exercise period (4), the income expected to accrue on the underlying during the remaining term of the exercise period (to the extent available or prescribed by the warrant terms and conditions), such as dividend income in the case of shares or equities baskets, the dividend yield in the case of share indexes, or interest income on money market investments where exchange rates are the underlying (5), and the strike price (6).

Even if the price of the underlying increases in the case of a call warrant or decreases in the case of a put warrant, the warrant may still lose value as a result of other value determining factors. Due to the fact that the term of warrants is always limited, you cannot rely on a recovery of the warrant price before the expiry date. The shorter the period, the greater the risk is.

In order to avoid losses when you purchase warrants, you must therefore correctly forecast the direction, the timing and the magnitude of movements in the price of the underlying during the remaining exercise period, the change in the implied volatility of the underlying as projected by the market or the Issuer, the development of interest rates on the money market, the anticipated income generated by the underlying during the remaining exercise period (only relevant to pricing; the warrant itself does not yield income), the transaction costs associated with buying, selling or exercising warrants, and any loan costs.

Volatility in the price of the underlying

All of the professional market players calculate warrant prices in a similar manner on the basis of three different models. They use the Black-Scholes model, the Binominal model or the Monte Carlo simulation. Actual warrant pricing on the market is determined by these models because a sufficiently large number of market participants use them (like a self-fulfilling prophecy). In actual fact, however, this theory could apply to the entire market. The best known and still most widely used model is the Black-Scholes Stock Option Pricing model, which dates back to 1973. The Issuer also uses a modified version of this model, which is adapted to the requirements of various categories of underlying instruments (not just shares). The aforementioned models are based on mathematical or statistical approaches, which largely use probability theory variables. Yet all of the sensitivity factors can be taken from the real conditions on the financial markets. These factors are: the underlying (1), the term to expiry or exercise period (2), the implied volatility (3), refinancing costs on hedging transactions or interest (4), the yield on hedging transactions (5), and the strike price (6).

Of the 6 different pricing factors, anticipated future volatility is the only unknown variable in the Black-Scholes model and must therefore be estimated.

By way of exception, however, the price of the underlying may also need to be estimated if the warrant referenced to the underlying is traded at a time when the market for the underlying is in fact closed. In general, this problem could apply to all warrants irrespective of the time at which they are traded because the Issuer currently offers off-exchange trading in its warrants at times when the underlying instruments are not traded on the local markets or stock exchanges. This problem applies above all to underlying instruments that are traded in time zones that are far removed from Central Europe, such as American or Japanese shares or share indexes in those regions. The same problem arises if the warrants are traded on days on which the home market for the underlying is closed because of a public holiday. If the Issuer estimates the price of the underlying when the home market is closed, its estimate may prove to be accurate, too high or too low within just a few hours of the home market reopening for trade in the underlying. Accordingly, the warrant prices set by the Issuer prior to the home market opening may prove to be too high or too low after the fact. If you wish to avoid this risk, make sure you execute your buy or sell orders at a time when the home market for your warrant's underlying is open.

Expressed as an annual percentage, the implied volatility indicates the range within which the seller of the option believes the price of the underlying will fluctuate in the future, based on a certain degree of probability.

The actual fluctuation may deviate substantially from the originally estimated implied volatility. This is because future price fluctuations cannot be predicted with certainty.

High volatility indicates an expectation that the price of the underlying will fluctuate significantly. The higher the expected fluctuation is, the greater the chance in the future that the warrant price will move in the desired direction. Conversely, low implied volatility indicates an expectation of lower fluctuation in the price of the underlying and therefore justifies a lower warrant price.

As a warrant holder, the risk you face in relation to volatility is firstly that the implied volatility expected during the warrant's term to expiry will fall. The more the implied volatility falls, the greater the loss on the warrant price. A loss on the warrant price as a result of a decline in volatility can largely overlap with the effects of other pricing factors. A further risk arises if the implied volatility estimated in the warrant price is ultimately greater than the actual fluctuation that occurs. In such a case, exercising the warrant, at the latest by the expiry date, will always trigger a loss, which will only increase as the discrepancy increases.

The implied volatility will decrease if expectations change about the range within which the price of the underlying will fluctuate, and if the originally anticipated major fluctuations never materialise or the fluctuation expected for the term to expiry falls substantially.

Past figures show that the actual fluctuation of underlying instruments (historical volatility) was subject to changes of several hundred percent (higher) or decreased almost to the extent of a total loss. Similarly, significant decreases in volatility can cause the warrant price to drop.

Interest rates on the money market, anticipated dividends on shares or equities baskets, anticipated dividend yield on share indexes

If all other factors remain the same, rising interest rates on the money market increase the Issuer's hedging costs for call warrants. Accordingly, rising interest rates reduce the price of call warrants when they are quoted by the Issuer. The opposite is true for put warrants. Interest rate fluctuations would have to be enormous for this warrant pricing factor alone to cause serious losses.

On the other hand, the Issuer's hedging positions also generate income, and the Issuer takes this income into account when quoting the warrant price. This income may be dividends from shares or equities baskets, the dividend yield on share indexes or interest income earned abroad from foreign exchange transactions. If expectations regarding these amounts change (for example, if higher dividends are paid than previously estimated and factored into the warrant price), then the warrant price will be adjusted accordingly. The effect on calls is opposite to the effect on puts (similar to the situation with interest rates on the money market). In this case as well, the fluctuations would have to be enormous for this warrant pricing factor alone to cause serious losses.

3. Risk factors specific to turbo bull and bear warrants with knock-out level

Risk of losing entire investment

If you purchase turbo warrants, you acquire the right to receive a sum of money from the Issuer in accordance with the warrant terms and conditions, and the amount you receive will equal the warrants' intrinsic value upon expiry (converted to euros, if applicable). This right is framed differently for bull and bear warrants: while the intrinsic value (according to the warrant terms and conditions) of bull warrants depends on the amount by which the reference price of the underlying exceeds the strike price on the calculation date (which is referenced to the expiry date), for bear warrants the intrinsic value depends on the amount by which the reference price of the underlying falls below the strike price on the calculation date (which is referenced to the expiry date), with the amount (or difference) in each case being multiplied by the subscription ratio. In general, the value of the turbo warrant will change during its term in line with the price of the underlying: if all other factors affecting price are disregarded, a bull warrant will usually drop (rise) in value if the price of the underlying falls (increases). The opposite is true for bear warrants – the value of a bear warrant will fall (increase) if the price of the underlying increases (decreases). The correlation between the price movement of the underlying and the turbo warrant, disregarding other pricing factors, regularly is approximately 1:1. The investor will lose the entire investment, if the warrant is worthless when it expires, i.e. if the price of the underlying on the expiry date is less (bull warrants) or more (bear warrants) than the strike price. Total loss means that the option is worthless when it expires, so the warrant holder cannot claim payment of any intrinsic value upon exercise.

A turbo warrant does not embody a right to receive interest or dividend payments and therefore does not yield any regular income. Thus, any decrease in the value of the turbo warrant cannot be offset by other income generated by the turbo warrant.

Other value determining factors

The value of a turbo warrant depends not only on the development of the underlying (1), the implied volatility where the price of the underlying, the strike price and the knock-out level are all within close proximity (2), or the knock-out level itself (3), but also on various other factors. These factors include the length of the remaining term to expiry of the warrant (4), interest rates on the money market for the remaining term to expiry (5), the income expected to accrue on the underlying (only relevant to pricing; the warrants themselves do not yield income except when exercised), such as dividend income in the case of shares or equities baskets, the dividend yield in the case of share indexes, or interest income on foreign currency money market investments during the term to expiry where exchange rates are the underlying (6), and the strike price (7).

Even if the price of the underlying increases (decreases) in the case of a bull warrant or decreases (increases) in the case of a bear warrant, the warrant may still lose (gain) value as a result of other value determining factors. Due to the fact that the term of warrants is limited, you cannot rely on a recovery of the warrant price before the expiry date. The shorter the period is, the greater the risk.
In order to avoid losses when you purchase warrants, you must therefore correctly forecast the direction, the timing and the magnitude of movements in the price of the underlying during the remaining term to expiry, the change in the implied volatility of the underlying as projected by the market or the Issuer, the development of interest rates on the money market, the anticipated income generated by the underlying during the remaining exercise period (only relevant to pricing; the warrant itself does not yield income), the transaction costs associated with buying, selling or exercising warrants, and any loan costs.

Model used by the Issuer to calculate prices

In order to calculate the price of turbo warrants, the Issuer will technically treat the product as either a down-and-out option (bull) or an up-and-out option (bear) (i.e., as a barrier option).

The model used by the Issuer is a modification of the Black-Scholes Stock Option Pricing model of 1973.The Issuer keeps the implied volatility used in the warrant price calculation largely constant during the term of the warrant for as long as the current price of the underlying does not lie within the vicinity of the knock-out level. The implied volatility may deviate from the current market volatility of the underlying, the historical volatility, and the implied volatility of other derivatives referenced to the underlying, or it may even have a value of zero. Therefore, as long as the price of the underlying does not approach the knock-out level, the buying and offered prices calculated by the Issuer will depend only very slightly on volatility (i.e., on the frequency and intensity of index price fluctuations). Here, the greater the difference between knock-out level and strike price the lesser the impact of volatility.

Risk of losing your entire investment prematurely as a result of the knock-out event

If the relevant reference value of the underlying - during the underlying's ordinary trading hours - matches or falls below (bull), or matches or exceeds (bear) the knock-out level of the turbo warrant at any time on or after the date upon which the turbo warrants were first offered ("knock-out"), then the turbo warrants will be prematurely terminated when the knock-out is triggered and will expire worthless. These consequences will materialise even if the knock-out was triggered by market disruptions or if the knock-out level was breached for only a short time and only once on or after the date upon which the turbo warrants were first offered. If your warrants are knocked out, you will loose all of the capital you invested. Turbo warrants are very high risk securities because of the risk of knock-out events. The kind of risk to lose the capital invested in case of a knock-out event, depends on the special features of the warrants determined in the terms and conditions.

You must distinguish between three possibilities:

3.1. Turbo warrants, where the strike price matches the knock-out Level

In case of a knock-out event incurring to turbo warrant where the strike price matches the knock-out level you will loose your whole capital invested.

This alternative of turbo warrants is associated with the following additional risks:

Risk that implied volatility will increase if the price of the underlying is close to the knock-out level

If the price of the underlying approaches the knock-out level of your turbo warrant, then there is an increased risk that the warrant will be knocked out and will therefore prematurely expire worthless. The measure used to quantify this risk in the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the price of the underlying nears the knock-out level and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because there is a higher probability that the warrant will be knocked out and will expire worthless. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying approaches the knock-out level. The closer the knock-out level of your warrant to the current price of the instrument underlying your turbo warrant, the greater the influence of implied volatility on the warrant price (i.e., implied volatility will account for a greater share of the warrant price) and thus the greater the warrant's sensitivity to volatility fluctuations. The greater the gap between the knock-out level of your warrant and the current price of the instrument underlying your turbo warrant, the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

Compared to call or put warrants that are not subject to knock-out levels ("standard warrants"), the price of turbo warrants will react in exactly the opposite way to changes in volatility. While the price of standard warrants increases (falls) if volatility increases (falls), the price of turbo warrants with a knock-out feature will decrease (increase) if volatility increases (falls), but will do so only if the price of the underlying is in the vicinity of the knock-out level. The actual subsequent fluctuation may deviate substantially from the implied volatility originally estimated by the Issuer. This is because future price fluctuations cannot be predicted with certainty. Furthermore, the Issuer's estimate of the implied volatility of a warrant may substantially differ from the estimates of other market participants. Nevertheless, the Issuer's price quotations play a very significant role in option pricing. See also "Secondary market in the warrants".

When is the price of the underlying close to the knock-out level?

The underlying instrument's proximity to the knock-out level is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap-risks (see the last paragraph under "Decay of time value until expiry" below), and the volatility of the respective underlying. This margin is typically a few percentage points (expressed as a percent of the knock-out level), but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap-risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value up until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility, a premium for the gap-risk and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date.
However, in the period until the expiry date, the decrease in time value is not necessarily continual, and the time value can even increase (decrease) temporarily depending on whether the share of the warrant price attributable to implied volatility and/or the gap-risk increases (decreases) in the meantime (see also "Risk that implied volatility will increase if the price of the underlying is close to the knock-out level").

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap-risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading on one day and when trading resumes on the next trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, then the Issuer will face substantial price risks in adjusting the hedging transactions entered into to cover the warrants sold. Usually the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move goes beyond that level the loss thus incurred has to be borne by the Issuer as it is impossible to unwind the hedging transactions at the knock-out level. With Turbo warrants where the strike price matches the knock-out level the warrant holder does not carry gap-risk directly. However, the gap-risks are usually projected for the future and are passed on by the Issuer to warrant purchasers as a component of the price quotation. Similar to the Turbo product type (2) the assumption of the gap-risk by the warrant holders can be described as indirectly. From a perspective in retrospect it is feasible that the gap-risks will be over- or underestimated by the Issuer.

3.2. Turbo warrants, where the strike price does not match the knock-out level and the gap risk is not borne by the warrant holder directly (Turbo stop-loss warrants without direct gap risk)

With turbo warrants where the strike price does not match the knock-out level and the gap risk is not borne by the warrant holder directly, at the knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the stop-loss disbursement amount paid by the Issuer at the knock-out event. The stop-loss disbursement amount is equal to the intrinsic value of the warrant at the knock-out event, this means the difference between the strike price and the knock-out level (bull) respectivlely the knock-out Level and strike price (bear) in each case multiplied by the subscription ratio and, if applicable converted to euros (stop-loss disbursement amount).

This alternative of turbo warrants is associated with the following additional risks:

Risk that implied volatility will increase if the price of the underlying, the strike price and the knock-out level are all within close proximity

If the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop-loss disbursement amont will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these factors are to one another, the greater the influence of implied volatility on the warrant price (i.e., implied volatility will account for a greater share of the warrant price) and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop-loss disbursement amont feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant in terms of the option price and assessing the associated risk.

Compared to call or put warrants that are not subject to knock-out levels ("standard warrants"), the price of turbo warrants will react in exactly the opposite way to changes in volatility. While the price of standard warrants increases (falls) if volatility increases (falls), the price of turbo warrants with a knock-out feature will decrease (increase) if volatility increases (falls), but will do so only if the price of the underlying, the strike price and the knock-out level are all within close proximity.

The actual subsequent fluctuation may deviate substantially from the implied volatility originally estimated by the Issuer. This is because future price fluctuations cannot be predicted with certainty. Furthermore, the Issuer's estimate of the implied volatility of a warrant may substantially differ from the estimates of other market participants. Nevertheless, the Issuer's price quotations play a very significant role in option pricing. See also "Secondary market in the warrants".

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap-risks (see the last paragraph under "Decay of time value until expiry" below), and the volatility of the respective underlying. This margin is typically a few percentage points (expressed as a percent of the knock-out level), but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap-risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility, a premium for the gap-risk and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date.

However, in the period until the expiry date, the decrease in time value is not necessarily continual, and the time value can even increase (decrease) temporarily depending on whether the share of the warrant price attributable to implied volatility and/or the gap-risk increases (decreases) in the meantime (see also "Risk that implied volatility will increase if the price of the underlying, the strike price and the knock-out level are all within close proximity").

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap-risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading on one day and when trading resumes the next trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, the Issuer will face substantial price risks in adjusting the hedging transactions entered into to cover the warrants sold. Usually the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move goes beyond that level the loss thus incurred has to be borne by the Issuer as it is impossible to unwind the hedging transactions at the knock-out Level. As the actually materialising gap-risk is not deducted from the intrinsic value at stop-loss, as is the case with turbo stop-loss product type (3), the gap-risk is not described properly as being assumed directly by the warrant holders. However, the gap-risks are usually projected for the future and are passed on by the Issuer to warrant purchasers as a component of the quoted warrant price. Similar to Turbo product type (1) the assumption of the gap-risk by the warrant holders can be described as indirectly. From a perspective in retrospect it is feasible that the gap-risks will be over- or underestimated by the Issuer.

3.3. Turbo warrants where the strike price does not match the knock-out level and the gap risk is borne by the warrant holder directly (Turbo stoploss warrants subject to gap risk)

With turbo warrants where the strike price does not match the knock-out level and the gap risk is borne by the warrant holder, in case of a knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the stop-loss disbursement amount paid by the Issuer at the knock-out event. If a knock-out event occurs, the stop-loss disbursement amount is equal to the difference between the strike price and the hedge price of the underlying calculated by the Issuer (bull) respectively the hedge price and the strike price (bear), in each case multiplied by the subscription ratio and, if applicable converted to euros (stop-loss disbursement amount). This so called "hedge-price" of the underlying will be calculated by the Issuer based on the results realised upon closure of the hedging positions (hedge) within the period defined in the warrant terms and conditions. Since the hedge price of the underlying calculated by the Issuer can also be far below (bull) or far above (bear) the knock-out level, the "gap risk" is borne by the warrant holder. The greater the difference between the strike price and the knock-out level, the greater the warrant holder's maximum loss in the event of a sufficiently high gap risk. **The worst case scenario is that the stop-loss disbursement amount equals zero and the warrant holder suffers a total loss of his invested capital.**

This alternative of turbo warrants is associated with the following additional risks:

If the price of the underlying, the strike price and the knock-out level are within close proximity of one other, there may be a risk that implied volatility will increase

Typically, turbo stop-loss warrants that are subject to gap-risk are structured such that there is a sufficient margin between the strike price and the knock-out level, so that from the Issuer's perspective, the potential gap-risk is largely transferred to the warrant holder. In such a case, volatility is irrelevant to warrant pricing.

If by way of exception, however, the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, then the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop-loss disbursement amont will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these factors are to one another, the greater the influence of implied volatility on the warrant price (i.e., implied volatility will account for a greater share of the warrant price) and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop-loss disbursement amount feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant to the option price and in assessing the associated risk.

Compared to call or put warrants that are not subject to knock-out levels ("Standard Warrants"), the price of turbo warrants will react in exactly the opposite way to changes in volatility. While the price of standard warrants increases (falls) if volatility increases (falls), the price of turbo warrants with a knock-out feature will decrease (increase) if volatility increases (falls), but will only do so if the price of the underlying, the strike price and the knock-out level are all within close proximity.

The actual subsequent fluctuation may deviate substantially from the implied volatility originally estimated by the Issuer. This is because future price fluctuations cannot be predicted with certainty. Furthermore, the Issuer's estimate of the implied volatility of a warrant may substantially differ from the estimates of other market participants. Nevertheless, the Issuer's price quotations are very significant to option pricing. See also "Secondary market in the warrants".

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap-risks, and the volatility of the respective underlying. This margin is typically a few percentage points, but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap-risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Decay of time value until expiry

As long as no knock-out event occurs, the price of turbo warrants is generally higher (premium) or lower (discount) than the intrinsic value (hypothetically assuming immediate exercise). The premium or discount usually comprises net financing costs, implied volatility (if applicable), and the Issuer's profit margin. The sum of these factors is also described as the time value. As a general rule, the time value of a turbo warrant decreases to zero by no later than the expiry date.
However, in the period until the expiry date, the decrease in time value is not necessarily continual, and the time value can even increase (decrease) temporarily depending on whether the share of the warrant price attributable to implied volatility (if applicable) increases (decreases) in the meantime.

The net financing costs associated with turbo bull warrants are positive (negative) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). The net financing costs associated with turbo bear warrants will be negative (positive) if the interest rate for the remaining term to expiry is expected to be higher (lower) than the income accruing on the underlying (dividends, dividend yield, interest, etc.). Under normal circumstances, net financing costs account for a low, single digit percentage share of the premium/discount. Interest rate fluctuations or fluctuations in the anticipated income on the underlying would have to be significant in order to cause significant changes in the warrant price.

The term "gap-risk" describes the risk that the price of the underlying will change significantly from one level to another, for example between the close of trading on one day and when trading resumes the next trading day, and that such change will trigger a knock-out event. For example, if an index opens at 2.5% higher or lower than the closing price the day before and such change will trigger a knock-out event, the Issuer can hedge the price movement of the underlying only up to the relevant knock-out level. In case the gap move will exceed the knock-out level the gap-risk is transferred directly to the warrant holder by taking the strike price less the knock-out level (bull) or the knock-out level less the strike price (bear), in each case multiplied by the subscription ratio and, if applicable, converted to euros, and directly subtracting the respective amount. The Issuer will estimate the remaining future gap-risk and pass it on to warrant purchases as part of the warrant price, only if the difference between the strike price and the knock-out level is too small to be able to offset potential future gap-risks.

4. Risks specific to open end turbo warrants with knock-out level

Compared to turbo warrants with a specific maturity, open end turbo warrants with knock-out level are associated with the following additional risks:

Risk of exercise of the warrants and Issuer´s termination right

The warrants do not have a specified term and represent therefore open end warrants. The term of the warrants will cease either upon valid exercise of the warrants in accordance with the terms and conditions (only in respect of the validly exercised warrants) or upon termination of the warrants in whole by the Issuer or upon the case of a knock-out event or by early redemption of the warrants in whole in case the terms and conditions provide such early redemption event. The warrants may be exercised by the respective warrant holder with effect to exercise dates specified as such in the terms and conditions of the warrants. The warrant holder´s exercise right is subject to further prerequisites which are specified in detail in the terms and conditions of the warrants. For purposes of calculating the respective disbursement amount, the respective exercise date with respect to which warrants are validly exercised will be the calculation date.

The Issuer is entitled to terminate the warrants in whole in accordance with the terms and conditions of the warrants. Such termination of the warrants is subject to a prior notification of the warrant holders by the Issuer in accordance with the terms and conditions of the warrants. For purposes of calculating the respective disbursement amount upon Issuer´s termination, the respective effective date of such termination will be the calculation date. Due to such Issuer´s termination right and to a possible knock-out event, you may not rely on being able to exercise the warrants with effect to a specific exercise date.

Knock-out and gap-risk

If the price of the underlying, as defined in the terms and conditions of the warrants, matches or falls below (bull warrant) respectively matches or rises above (bear warrants) the knock-out level of the open end turbo warrant within the defined observation period and during the defined observation hours, then the term of the open end turbo warrants is prematurely terminated and the option rights expire worthless.This does even apply if a market disruption leads to the occurence of the Knock-Out event, or if the knock-out event occured only once and for a limited period after the date or initial offer. Due to the risk of the occurence of a Knock-Out event, open end turbo warrants are securities with a particular high degree of risk. With open end turbo warrants, in case of a knock-out event you will suffer a loss that is corresponding to the difference between your invested capital (including transaction costs) and the Stop-Loss disbursement amount paid by the Issuer at the knock-out event.If a knock-out event occurs, the stop-loss disbursement amount is equal to the difference between the strike price and the hedge price of the underlying calculated by the Issuer (bull) respectively the hedge price and the strike price (bear), in each case multiplied by the subscription ratio and, if applicable converted to euros. This so called hedge price of the underlying will be calculated by the Issuer based on the results realised upon closure of the heding positions (hedge) within the period definied in the warrant terms and conditions.Since the hedge price of the underlying calculated by the Issuer can also be far below (bull) or far above (bear) the knock-out level, the gap risk is borne by the warrant holder. The greater the difference between the strike price and the knock-out level, the greater the warrant holder's maximum loss in the event of a sufficiently high gap risk. **The worst case scenario is that the stop-loss disbursement amount equals zero and the warrant holder suffers a total loss of his invested capital.**

A knock-out event can also occur at a time when you are unable to sell your open end turbo stop-loss warrants because of limited regular trading hours on the secondary market

In general, you face the risk that a knock-out event will occur outside the hours when the warrants are ordinarily traded. Such a risk may materialise if the hours during which the warrants are traded (through the Issuer or stock exchanges on which the warrants may be listed) differ from the hours when the underlying is ordinarily traded (the hours when the underlying is traded are used as the basis for determining whether a knock-out event has occurred).

This problem applies above all to underlying instruments that are traded in time zones that are far removed from Central Europe, such as American or Japanese shares or share indexes in those regions. The same problem may arise if the warrants cannot be traded because of a public holiday on the secondary market, while the home market for the underlying is open.

In this context, particular attention should be paid to the risk that there may be no or only a limited secondary market in the turbo warrants. See also "Secondary market in the warrants" below.

If prices go beyond your stop-loss limit during a period when the regular trading hours for the warrants and the regular trading hours for the underlying do not overlap, then setting a stop-loss limit at which to sell your turbo warrants will not necessarily help you to avoid the risk described here.

If the price of the underlying, the strike price and the knock-out level are within close proximity of one other, there may be a risk that implied volatility will increase

Typically, turbo stop-loss warrants that are subject to gap-risk are structured such that there is a sufficient margin between the strike price and the knock-out level, so that from the Issuer's perspective, the potential gap-risk is largely transferred to the warrant holder. In such a case, volatility is irrelevant to warrant pricing.

If by way of exception, however, the strike price and the knock-out level lie close together and the price of the underlying moves in the direction of and nears the knock-out level, then the increased risk of a premature knock-out event becomes a separately quantifiable component of the option price for the first time. The measure used to quantify this component of the warrant price is the fluctuation range expected by the Issuer and factored into the warrant price, which is expressed as an annual percentage and based on a certain degree of probability ("implied volatility"). If the conditions described in the first sentence above are met and the implied volatility increases while all other factors influencing pricing remain the same (particularly the price of the underlying), then the price of the knock-out turbo warrant will fall because the proximity of the price of the underlying to the knock-out level means that there is a higher probability that the warrant will be knocked out and that only a small stop-loss disbursement amont will be refunded. Conversely, if the implied volatility decreases, then the price of the turbo warrant will increase because it becomes less likely that the warrant will be prematurely knocked out.

As far as you are concerned, an increase in the underlying instrument's implied volatility represents a price risk if the price of the underlying, the strike price and the knock-out level are all within close proximity. The closer these factors are to one another, the greater the influence of implied volatility on the warrant price (i.e., implied volatility will account for a greater share of the warrant price) and thus the greater the warrant's sensitivity to volatility fluctuations. If movements in the price of the underlying result in a greater gap between these three factors, then the less implied volatility will affect the price of the warrant and thus the warrant's sensitivity to volatility fluctuations will be insignificant or even zero.

If the three factors referred to above, namely the price of the underlying, the strike price and the knock-out level are all within close proximity, then the price of the warrant will typically be calculated in the same way as the price for turbo warrants (under which the strike price and the knock-out level are identical) and thus there is no premature stop-loss disbursement amont feature (see also Section (1) of these specific risk factors). If, on the other hand, these three factors are widely spread, for example because there is already a sufficient margin between the strike price and the knock-out level, then implied volatility will be irrelevant to the option price and in assessing the associated risk.

Compared to call or put warrants that are not subject to knock-out levels ("standard warrants"), the price of turbo warrants will react in exactly the opposite way to changes in volatility. While the price of standard warrants increases (falls) if volatility increases (falls), the price of turbo warrants with a knock-out feature will decrease (increase) if volatility increases (falls), but will only do so if the price of the underlying, the strike price and the knock-out level are all within close proximity.

The actual subsequent fluctuation may deviate substantially from the implied volatility originally estimated by the Issuer. This is because future price fluctuations cannot be predicted with certainty. Furthermore, the Issuer's estimate of the implied volatility of a warrant may substantially differ from the estimates of other market participants. Nevertheless, the Issuer's price quotations are very significant to option pricing. See also "Secondary market in the warrants".

When do the price of the underlying, the strike price and the knock-out level lie within close proximity?

The relative proximity of each of the above three factors is understood as a margin that must be estimated depending on the specific option pricing model used by the Issuer, the competition in the relevant market for that type of warrant or in the relevant underlying, the anticipated gap-risks, and the volatility of the respective underlying. This margin is typically a few percentage points, but it can fall to figures of close to one percent if there is a high degree of competition in the warrant market. On the other hand, prevailing circumstances, for example less competition in the warrant sub-market, higher gap-risks, an underlying with comparatively high or strongly increasing volatility, or an option pricing model that produces different results, may produce a greater and clearer margin, for example a margin in the single digit or even double digit range.

Adjustments of strike price and knock-out level

The strike price and the knock-out level of the warrants are subject to continous adjustments in accordance with the terms and conditions of the warrants. In order to reflect financing costs incurred by the Issuer in connection with its hedging arrangements, the strike price will be increased on a daily basis by an adjustment amount which will be calculated for a specific adjustment period on basis of the current strike price on a specific adjustment day (first day of such adjustment period), the then prevailing relevant interest rate for deposits in the currency of the strike price, an adjustment correction factor and a specific day count fraction. The relevant calculation factors are described more in detail in the terms and conditions of the warrants. As result of such daily adjustment of the strike price, the risk of the occurrence of a market situation in which the price of the underlying, the strike price and the knock-out level are within close proximity will increase significantly (see risk information regarding such market situation below). Such adjustment of the strike price will further result – irrespective of other value determining factors – in a decrease (bull warrants) respectively increase (bear warrants) of the intrinsic value of the warrants.

Additionally, on each adjustment day the knock-out level applicable for the following adjustment period will be adjusted at the Issuer´s fair discretion in accordance with the terms and conditions of the warrants. Depending on the market situation prevailing on such adjustment day, the adjustment of the knock-out level may result In both (i) an increase in the risk of the occurrence of a market situation in which the price of the underlying, the strike price and the knock-out level are within close proximity (see risk information regarding such market situation below) and (ii) an increase of the gap risk to be borne by the warrant holders if the distance between the then current strike price and the adjusted knock-out level increases. Therefore, do not rely on the knock-out level being in approximately the same distance to the strike price during the term of the warrants.

In case of shares or price indexes as underlying of the warrants, the Issuer will additionally calculate an dividend adjustment amount which will be deducted from the strike price on days on which the respective share or index component share will distribute dividends to its shareholders and the respective share trades ex-dividend on its home market. Such dividend adjustment amount will be calculated on basis of the effectively distributed dividends and a dividend correction factor, which will be determined by the Issuer at its fair discretion but normally will amount to 100%. Such adjustment upon dividend payments may result – irrespective of other value determining factors – in an increase (bull warrants) respectively decrease (bear warrants) of the intrinsic value of the warrants.

5. Risks specific to capped, digital and straddle warrants

5.1. Capped warrants

The disbursement amount of capped warrants which may be payable by the Issuer upon maturity, is – regarding the respective aount – limited by a cap defined in the terms and conditions of the warrants. Regarding to this the investor does not participate in the intrinsic value of the warrants insofar as the intrinsic value exceeds the cap upon maturity.

5.2. Digital warrants

The disbursement amount of digital warrants which may be payable by the Issuer upon maturity, is – regarding the respective amount - determined in the terms and conditions of the warrants. Solely the payment of the respective disbursement amount depends on a prerequisite defined in the terms and conditions of the warrants, e.g. upon maturity the price of the underlying exceeds the strike price (call warrant) respectivley falls below the strike price (put warrant). If the prerequisite, which is material to the payment of the disbursement amount, is not fulfilled, the warrants will expire worthless and the investor will suffer a total loss of his capital invested.

5.3. Straddle Warrants

Straddle warrants are a combination of a call and a put warrant, in each case with same strike price and equal maturity. To that effect the intrinsic value of straddle warrants (as stipulated in the terms and conditions of the warrants) depends on the amount by which the price of the underlying exceeds or falls below the strike price, in each case multiplied by the subscription ratio. Disregarding other value determining factors, the value of the straddle warrant will decrease constantly during his term if the price of the underlying is close to or matches the strike price. Upon maturity, the investor will suffer a total loss if the warrant expires worthless, i.e. if the price of the underlying equals the strike price upon erxercise or expiry.

6. Risks specific to some underlyings

Features of exchange rates as underlyings

Exchange rates give the ratio of a certain currency to another currency. In international currency trading, where a certain currency is always traded against another, the currency which is traded is known as the “trading currency”, and the currency which gives the price for the trading currency is known as the “price currency”. The most important currencies traded in international currency trading are the US dollar (USD), the euro (EUR), the Japanese yen (JPY), the Swiss franc (CHF) and the British pound sterling (GBP). For example, the exchange rate “EUR/USD 1.5075” means that USD 1.5075 is needed to buy one euro. An increase in this exchange rate thus means an increase in the value of the euro against the US dollar. The other way around, for example, the exchange rate “USD/EUR 0.6645” means that EUR 0.6645 is needed to buy one US dollar. An increase in this exchange rate thus means an increase in the value of the US dollar against the euro.

Exchange rates are subject to various different influences including, for example, components such as the rate of inflation in the country in question, interest rate differences as against foreign countries, assessments of the development of the economy in the country in question, the global economic situation, the convertibility of one currency into another and the security offered by an investment in the respective currency. In addition to the factors outlined above, which are still fairly predictable, exchange rates can also be affected by virtually unpredictable factors, for example psychological factors such as crises of confidence in the political leadership of a country. This type of psychological factor can also have a significant influence on the value of the currency concerned.

The reference prices for the underlying can be taken from a whole range of different sources. They can be the exchange rate values that arise in what is known as interbank trading, since the majority of international foreign exchange trading is settled between major banks. These values are published on the pages of recognised business information services (such as Reuters or Bloomberg). Alternatively, certain official exchange rates, as determined by central banks (such as the European Central Bank) can also be used as reference prices. Information on which reference prices are used for specific warrants can be found in the relevant warrant terms and conditions.

Features of commodities as underlyings

Commodities are generally divided into three main categories: mineral resources (such as oil, gas, aluminium and copper), agricultural goods (such as wheat and corn), and precious metals (such as gold and silver). Most commodities are traded on specialised stock exchanges or directly between market participants (interbank trading) worldwide in the form of OTC (over-the-counter) transactions using largely standardised contracts.

Price risks are often complex where commodities are involved. The prices are subject to larger fluctuations (volatility) than is the case in other asset classes. In particular, commodities markets show lower liquidity than bond, currency and stock markets, with the result that changes in supply and demand have a much more drastic effect on prices and volatility, which in turn means that investments in commodities are more complex and more prone to risk.

The factors affecting commodities are numerous and complex. Several examples of typical factors reflected in commodity prices are presented below.

a) Supply and demand

The planning and management of commodity supply are extremely time-consuming processes. The availability of commodities on offer is thus limited, and it is not always possible to adjust production quickly in line with changes in demand. Demand can also differ across regions. The transportation costs involved in getting commodities to the regions where they are required also have an effect on the prices. The cyclic nature of some commodities, such as agricultural goods, which are produced at certain times of the year, can also cause immense price fluctuations.

b) Direct investment costs

Direct investments in commodities are subject to costs for storage, insurance and taxes. Moreover, no interest or dividends are paid on commodities. The total return from commodities is influenced by these factors.

c) Liquidity

Not all commodity markets are liquid and able to react quickly and to a sufficient extent to changes in the supply and demand situation. Since only a small number of market participants operates in the commodity markets, intense speculation can have negative consequences and distort prices.

d) Weather conditions and natural disasters

Unfavourable weather conditions can affect the supply of certain commodities for the entire year. A supply crisis of this kind can in turn spark off major and unpredictable price fluctuations. The spread of disease and the outbreak of epidemics can also have an impact on the price of agricultural goods.

e) Political risks

Commodities are often produced in emerging markets and used by industrialised nations. However, the political and economic situations in emerging markets are usually much less stable than in industrialised nations. They are much more exposed to the risk of rapid political change and economic setbacks. Political crises can shake investor confidence, which, in turn, can affect commodity prices. Warfare and conflicts can change supply and demand for certain commodities. It is also possible that industrialised nations will impose an embargo for the import and export of goods and services. This can be reflected directly or indirectly in the price of commodities. In addition, many commodity producers have joined together in organisations or cartels to regulate supply, thereby influencing prices.

f) Taxation

Changes to tax rates and duties can either increase or decrease profitability for commodity producers. If these costs are passed on to the buyers, these changes have an effect on the prices of the respective commodities.

Features of futures contracts as underlyings

a) General

Futures contracts are standardised forwards based on financial instruments (e.g. shares, indexes, interest rates, currencies), known as financial futures, or based on commodities (e.g. precious metals, wheat, sugar), known as commodities futures.

A forward contract carries the contractual obligation to buy or sell a certain amount of the relevant object on a certain date at a pre-determined price. Futures contracts are traded on futures exchanges, and for this reason are standardised in terms of contract size, the type and quality of the underlying instrument, and the possible delivery locations and dates.

There is a close correlation between the price development of an underlying on a spot market and on the corresponding futures market. However, futures contracts are traded with a premium or discount compared with the spot price of the underlying. The difference between the spot price and futures price, described in futures exchange terminology as the "**basis**", is partly the result of the inclusion of the costs usually incurred with spot transactions (warehousing, delivery, insurance, etc.) or income usually associated with spot transactions (interest, dividends, etc.), and partly of the differing valuations of general market factors on the spot and futures markets. Furthermore, the liquidity on the spot market and on the relevant futures market may differ greatly from one another depending on the underlying.

Because the warrants are based on the trading price of the underlying futures contracts specified in the Table, it is important to have knowledge of the characteristics and assessment factors of forward transactions, in addition to knowledge of the market for the respective underlying of the futures contract, in order to make a proper assessment of the risks associated with the purchase of these warrants. Where the underlying in a futures contract takes the form of a commodity, the above mentioned risk factors of commodities should also be considered.

b) Rollover

Futures contracts as underlyings of the warrants each have a certain expiry date. Therefore, in the case of open end warrants, the Issuer will replace the underlying with a futures contract at a time specified in the terms and conditions, this futures contract having the same contract specifications as the initial underlying futures contract except for a later expiry date ("**rollover**").
The rollover will be carried out on a trading day within a period specified in the warrant terms and conditions shortly before the expiry date of the current futures contract. On the rollover date, the offerors liquidate the positions that they entered into using the respective hedging transactions with regard to the existing futures contract that is due to expire shortly and build up corresponding positions relating to a futures contract with identical features but a longer term.

Once the rollover has been concluded, the strike price and the stop loss level and any other relevant thresholds will be adjusted in accordance with the terms and conditions.

d) Features of baskets as underlyings

A basket as an underlying is composed of the shares, indexes, commodities, exchange rates, futures contracts or interest rates (basket components) as set out in the warrant terms and conditions. Depending on the terms, the individual basket components may be balanced or have different weighting factors. As a general rule, the smaller the weighting factor of a basket component, the smaller the influence of the performance of the respective basket component on the performance of the basket as a whole. The respective value of the basket is calculated on the basis of the prices of the individual components and the weighting factors assigned to each component.

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E. Description of the securities

1. Persons responsible

1.1 Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main (the "Issuer") is responsible for all information contained in the prospectus. The Issuer is entered in the Commercial Register of the Local Court of Frankfurt am Main under registration number HRB 57295.

1.2 The Issuer hereby declares that the information contained in the prospectus is, to the best of its knowledge, in accordance with the facts and that the prospectus contains no omissions likely to affect its import.

2. Risk factors

See discussions regarding the "Risk Factors" set forth in Part D of the table of contents of this Base Prospectus.

3. Key information

3.1 In the event that securities are offered during a subscription period, a load (*Ausgabeaufschlag*) may be charged on the sale of the securities. Details with respect hereto will be set forth in the final terms of the offering ("Final Terms of the Offering"). The sales partners, who are involved in offering the securities during the subscription period, typically and for the most part reserve the right to charge other fees in addition to the load. A load will immediately disappear at the end of the subscription period and upon payment in exchange for the delivery of the securities. In the aforementioned case, the price of the securities will immediately fall by the amount of the load.

To the extent that the securities are a basis for an actively managed investment strategy, virtual management fees are typically factored into the calculation, thereby reducing the value of the securities. Details with respect thereto are set forth in the description of the underlying in the Final Terms of the Offering. See also subsections 4.2.2 c) or d)

The Issuer, its affiliated enterprises (if applicable) or other companies belonging to or affiliated with Citigroup Inc. (the "Companies") may actively trade in the underlying, other instruments or derivatives referenced to the underlying, exchange-traded options or exchange-traded forwards, or may issue other securities or derivatives referenced to the underlying. The Companies may also be involved in acquiring new shares or other underlying instruments or individual companies incorporated in share indexes or equities baskets, or may act as financial advisor to the aforementioned entities or work together with them in commercial banking operations. The above activities may give rise to conflicts of interest and may adversely affect the price of the underlying or securities referenced to the underlying (such as the warrants).

In order to hedge its obligations under warrants, the Issuer continually trades in the underlying, in derivatives referenced to the underlying, or in other underlyings or derivatives which influence the price of the underlying or whose price or volatility closely tracks the price movement or volatility of the underlying. In general, such hedging transactions have the potential to amplify changes in the price of the underlying or the underlying's volatility, i.e. additional hedging positions may cause prices that are increasing anyway to increase even further, and vice versa for falling prices. If such price trends are intended to be reinforced, this would accordingly affect the price of the warrant or the gain or loss upon exercise of the warrant. The Issuer executes hedging transactions on an ongoing basis (i.e. at any time). The Issuer will make appropriate adjustments to its matching positions, particularly if one of the value determining factors changes. The Issuer will also adjust its hedging positions if it sells additional warrants (its net position in the class increases) or buys back warrants (and its net position in the class decreases). If the warrants are exercised upon expiry, then the Issuer's hedging positions will be closed out accordingly. In particular, if warrants are exercised on or shortly before the expiry date, such action may result in all hedging positions being closed out within a short period of time. Depending on the number of exercisable warrants, the then-prevailing market situation and the liquidity of the respective underlying, it is possible that this will adversely affect the reference price of the underlying when the warrant is exercised and thus also adversely affect the type and magnitude of the disbursement amount. It is possible that by taking or closing out various hedging positions, the Issuer may effectively magnify the price movement of the turbo warrant's underlying so dramatically that a knock-out event is triggered and the warrants will be terminated early and expire worthless. The closer the price of the underlying comes to the knock-out barrier level and the higher the volatility of the underlying is, the greater the risk that hedging transactions will trigger a knock-out event. See also Section "D. Risk Factors of the securities" at the beginning of this Base Prospectus.

3.2. The grounds for the offering and the use of the income are to generate profits.

4. Information concerning the securities to be offered or admitted for trading

4.1 Information concerning the securities

4.1.1 Class, category and ISIN:

Class, category and ISIN of the warrants are set forth in Section 1 of the relevant terms and conditions or in the "Final Terms of the Offering" to this Base Prospectus.

4.1.2 Factors influencing the value of the warrants

The factors influencing the price of warrants were to a material extent previously described in another part of this prospectus - "D. Risk factors of the securities" - to which reference is hereby made in order to avoid repetition.

4.1.3 Applicable law

The applicable law is set forth in Section 8 of the relevant terms and conditions (see page G24).

4.1.4 Physical form

The physical form of the instrument is set forth in Section 2 of the relevant terms and conditions (see page G9).

The central securities depositary or the other securities depositaries are set forth in the Final Terms of the Offering for the instrument in question. The relevant addresses are also provided therein.

4.1.5 Currency of the securities issue

The warrants will be offered for purchase (offer subject to change) in the currency designated in the "Final Terms of the Offering". Exchange and off-exchange trading in the warrants (if applicable) will likewise be conducted in the aforementioned currency. In the event the warrant is automatically exercised upon expiry, the disbursement of any intrinsic value (if it exists) will be made, if applicable, following a conversion into the disbursement currency designated in the "Final Terms of the Offering"

4.1.6 Classification and ranking of the securities

The classification and ranking of the securities is governed by Section 9 of the relevant terms and conditions (see page G24).

4.1.7 Description of the rights, disbursement amount, knock-out event, stop loss disbursement amount, procedures for exercising such rights

The terms of the relevant option are set forth in Section 1 paragraphs 5 to 9 of the Terms and Conditions (see pages G5-9) in conjunction with the relevant Final Terms of the Offering;

For all types of warrants Section 5 of the relevant terms and conditions governs the exercise of the securities (see pages G20-21;

For all types of warrants the consequences of market disruptions are set forth in Section 6 of the relevant terms and conditions (see pages G21-23).

4.1.8 Issuance Programme constituting the basis for the new issue:

Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main, is offering the warrants, which are the subject matter of this prospectus, on the basis of an Issuance Programme applicable to the respective calendar year adopted by the competent managers within the Issuer, which will supplement and complete the Base Prospectus. The Final Terms of the Offering and this Base Prospectus shall together constitute the prospectus.

4.1.9 Offering method, underwriters and issue date of the securities:

The Final Terms of the Offering will provide information about the offering methods, the underwriters and issue dates for the warrants:

Offering method:

a) The warrants will be offered continuously on the open market in one or more series, which may have different features, and/or

b) the warrants will be offered during a subscription period in one or more series, which may have different features, for a set price plus a load. After the relevant subscription period ends, the warrants may be sold on the open market.

Underwriters:

The underwriters of the warrants will be stipulated in the Final Terms of the Offering.

Commencement of the offering:

The warrants will be offered for the first time either at the commencement of the open market sale or at the commencement of the subscription period.

4.1.10 Restrictions on the free transfer of the securities

In purchasing, transferring or exercising the warrants, the sales restrictions described in Section 4 of the relevant terms and conditions must be observed (see pages G19-20).

4.1.11 Exercise day, expiry date, final possible calculation date

The expiry date for the relevant series of warrants is stipulated in Section 1 paragraphs 2 and 4 of the Terms and Conditions (see pages G1 and G4-5) and as further governed by the relevant Final Terms of the Offering;

The day on which the exercise of the warrants becomes effective is stipulated in Section 5 paragraphs 1 (see page G20) in conjunction with Section 1 paragraphs 2 and 4 (see pages G1 and G4-5) of the Terms and Conditions and as further governed by the relevant Final Terms of the Offering.

The final possible calculation date for the relevant series of warrants in respect of the expiry Day, is set forth in the definition in the table in Section 1 paragraph 2 (see page G1) in conjunction with Section 1 paragraphs 4 (see pages G4-5) of the Terms and Conditions and as further governed by the relevant Final Terms of the Offering.

4.1.12.1 Disbursement amount, reference price for the exercise, reference price for the currency conversion

The disbursement amount, which may be payable when the warrant is exercised, and the reference prices for the exercise or currency conversion which may then apply (to the extent that the intrinsic value is not already expressed in the currency of the disbursement amount), is stipulated in Section 1 paragraphs 6 and 7 of the Terms and Conditions (see pages G5-8) and as further governed by the relevant Final Terms of the Offering.

4.1.12.2 Stop loss disbursement amount, intrinsic value upon stop loss, stop loss exchange rate, payment date upon stop loss

The stop loss disbursement amount, which may be payable when a knock-out event occurs, and the calculation of the intrinsic value upon stop loss, the stop loss exchange rate (in case the intrinsic value is not already expressed in the currency of the disbursement amount) and the payment date upon stop loss, is stipulated in Section 1 paragraph 7 of the Terms and Conditions (see pages G6-8) and as further governed by the relevant Final Terms of the Offering.

4.1.13. Regular income from the securities

The warrants do not embody any right to regular income such as interest payments or dividend payments.

Instead, the warrants only represent a right to exercise once as of the expiry date (European-style warrants) or at any time /American-style warrants). See also "4.1.7 Description of the rights, disbursement amount, knock-out event, stop loss disbursement amount, procedures for exercising such rights".

As an alternative, the Investor may sell his warrants; however, this is not subject to the warrant terms and conditions. More specifically, the Issuer is not obligated under the warrants to repurchase the warrants from the investors. See also, particularly with regard to the way it is calculated, "Secondary market in the warrants" on page D3.

4.1.14 Withholding tax on income generated at the place of the issuer's registered office and in countries where the offer is disseminated or an application for admission to trading is made

The Issuer has its registered office in Frankfurt am Main in the Federal Republic of Germany. Under German law the issuer is not obliged to withhold income tax at the source. With regard to payments to go abroad the issuer is basically not obliged to withhold any taxes. Therefore, no withholding of taxes is happening.

4.2 Information about the underlying

4.2.1 The reference price of the underlying upon exercise, the reference price for the currency conversion, the currency conversion date, the reference rate service

In the event that the options are exercised, the disbursement amount accordance with Section 1 paragraphs 6 and 7 (see pages G5-8) will be calculated based on the reference price of the underlying on the calculation date stipulated in Section 1 paragraph 4 (see pages G4-5) of the Terms and Conditions in each case in conjunction with the Final Terms of the Offering.

The disbursement amount is either the intrinsic value, if already expressed in the currency of the disbursement amount, or the intrinsic value converted with the reference price for the currency conversion into the disbursement currency. The relationship between the currency conversion date (i.e., the day to which the calculation date is linked and on which the intrinsic value is converted into euros, if applicable), the reference price for the currency conversion (i.e., the exchange rate used for the conversion into euros, if applicable), and the reference rate service (i.e., the office or service which calculates the reference price for the currency conversion) is stipulated in Section 1 paragraph 2 (see page G1) in conjunction with the definitions in Section 1 paragraph 4 (see pages G4-5) of the Terms and Conditions and as further governed by the relevant Final Terms of the Offering.

4.2.2 Features of the underlying, available information concerning the underlying

a) Features of the underlying

The features of the underlying are stipulated in the Final Terms of the Offering concerning Section 1 paragraph 3 (see pages G2-3) in conjunction with the definitions in Section 1 paragraph 4 (see pages G4-5) of the Terms and Conditions for Bull and Bear warrants referenced to Shares.

b) Information concerning the past and future development of the underlying and its volatility:

Information about the past (historical) development of the underlying is available in the form of charts posted on the Issuer's website as specifically referenced in the Final Terms of the Offering concerning Section 1 paragraph 4 of the relevant terms and conditions (see page G4-5). This information is updated daily and in this sense addresses the future development of the underlying. Charts relating to historical volatility of the underlying are likewise available on the Issuer's aforementioned website in a format that is updated daily. In addition the charts relating to historical volatility of the underlying will be available as hard copy free of charge from the Issuer.

c) Description of indexes not composed by the Issuer

The description of the relevant underlying is contained in the Final Terms of the Offering.

d) Description of indexes and baskets composed by the Issuer:

The description of the relevant underlying is contained in the Final Terms of the Offering.

e) Current composition of indexes not composed by the Issuer:

Information about the individual equities making up the relevant underlying indexes and their current share of a given index, expressed as a percentage and determined on the basis of the daily quotations, may be downloaded free of charge from the website stipulated in the Final Terms of the Offering or a German- or English-language hard copy is available free of charge from the Issuer at the following address: "Citigroup Global Markets Deutschland AG & Co. KGaA, Warrants/New Issues Structuring, Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main".

4.2.3 Description of any market disruptions or settlement or clearing disruptions, which could influence the underlying

Details are provided in Section 6 of the relevant terms and conditions (see pages G21-23).

The warrants embody only the right to a cash disbursement amount (under certain circumstances). Disruptions in the settlement or clearing of any physical certificates of the underlying are therefore irrelevant and are not addressed in the terms and conditions.

4.2.4 Adjustments in the terms of the warrants in case of corporate or other actions in the underlying

Details concerning adjustments to the terms are governed in Section 3 of the relevant terms and conditions (see pages G9-19).

The following information in Sections 5 and 6 below will be supplemented by the relevant Final Terms of the Offering:

5. Terms and conditions of the offering

5.1 Purchase, subscription, clearing and settlement

5.1.1 The terms and conditions (not the warrant terms and conditions) which govern the offer

5.1.2 The total amount of the offer

5.1.3 The offering period and the subscription procedures

5.1.4 Details concerning the minimum and/or maximum amount of subscription

5.1.5 The method and timetable for payment and delivery of the securities

5.1.6 Method and date on which the offer results are made public

5.2 Sale and allotment

**5.2.1 Potential investor groups, offerings in two or more countries,
teservation of tranches for specific countries**

5.2.2 Notification of allotments to subscribers and whether trading may commence prior to such notification

5.3 Method of pricing, process of price disclosure, costs and taxes charged to purchasers and subscribers

5.4 Placement and/or underwriting

5.4.1 Name and address of co-ordinator of the offer and placer in the various countries where offer is made

5.4.2 Name and address of the paying agent and depositary agent in each country

5.4.3 Institutions, which have agreed to underwrite the issue on a firm commitment basis, and institutions, which have agreed to place the issue without a firm commitment but using their "best efforts", or a statement as to whether the issue will be underwritten at all,
Information concerning the underwriting fees and placement fees

5.4.4 Date on which underwriting agreement executed, if it exists;

5.4.5 Name and address of the calculation agent

5.5 Criteria or conditions for establishing the offering price and the issue volume

6. Exchange trading and trading rules

6.1 Admission of the securities to trading on a regulated market

6.2 Regulated markets or equivalent markets, on which the securities have already been admitted to trading

6.3 Institutions which have committed to market making,
Description of the market making obligation

7. Additional information

7.1 Advisers named in the securities note

There are no advisers named in the securities note.

7.2 Additional reports of the statutory auditor

The securities note does not contain or refer to any additional information or reports from the Issuer's statutory auditor.

7.3 Expert declarations or reports in the securities note

Not applicable currently.

7.4 Third party information

If information from third parties has been incorporated in this prospectus, the Issuer warrants that this information has been correctly reproduced and that - to the best of the Issuer's knowledge and to the extent that it can be deduced from the information provided by such third party - no facts have been omitted, which could render the reproduced information incorrect or misleading. The Issuer has also verified the source(s) of the information.

7.5 Information published after the issue

The relevant terms and conditions, which are reprinted at the end of this securities note, indicate which information will be published after the day of the Issuer's initial offering.

Examples of such publications are the occurrence of a knock-out event or modifications to the warrant terms as a result of adjustments to the underlying, which may affect, for example, the strike price or the knock-out barrier level or the subscription ratio or relate to a replacement of the underlying itself. Additional examples include the early repayment of the warrants because an adjustment is impossible.

Unless prescribed otherwise by the provisions of law applicable at the respective point in time in the countries where the warrants are offered publicly or listed on the Stock exchange, the publication will be made at the option of the issuer either in one or more periodicals common or with large circulation in the states in which the public offer has been submitted or the security admitted to trading on an exchange or on the website of the Issuer. The Issuer will notify the respective publication medium and any medium different thereof which is mandatory for the legal validity of the publication in the final terms of the offer. A subsequent change in the publication medium will be notified by the Issuer in the respective initial publication medium (see pages G10).

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F. Issuer Description
of Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main

Information to be disclosed in respect of Citigroup Global Markets Deutschland AG & Co. KGaA as the Issuer of the Warrants can be found in the Issuer´s Registration Document dated 14 October 2008, which is incorporated herein by reference in accordance with § 11 of the German Securities Prospectus Act (*Wertpapierprospektgesetz, WpPG*). Hard copies of the Registration Document will be available free of charge at the address set forth below:

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

Legally binding English version of the Terms and Conditions:

Terms and Conditions

[*Insert product name*: ###] Warrants

referenced to [Share Indexes] [Share Prices] [Exchange Rates] [Commodities] [Futures Contracts] [a basket comprising of [Share Indexes] [Share Prices] [Exchange Rates] [Commodities] [Futures Contracts]]

Section 1
Terms, Information on the Underlying, Definitions

1. Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main (hereinafter, the "Issuer") offers the [Bull] [Call] and [Bear][Put] [Insert product name: ###] Warrants described in Section 1, Paragraphs 2 to 4 of these Terms and Conditions referenced to the Reference Price of the respective share on the Relevant Stock Exchange (hereinafter, "[Bull][Call] Warrants" and "[Bear][Put] Warrants"; together, the "Warrants"). The terms of the offered Warrants information on the underlying and definitions are evident in Section 1, Paragraphs 2 to 4 below.

2. Terms of the warrants (Table 1):

WKN	ISIN	Underlying	Type	Strike Price (at the day of the initial offer)	[Cap] [Digital Target Amount]	[Knock-Out level] [in the first Adjustment Period]	[Adjustment Rate in the first Adjustment Period]	Ratio	[Expiry] [Commence-ment of Term]	Exercise Style	Volume	[other specific terms]
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######
######	#########	########	###	### ##,##	### ##,##	### ##,##	#,#	#,#	##.##.####	######	##.###.###	#######

3. Information on the [underlying] [basket] (Table 2):

Underlying [Name of Firm][Type of Shares] [Type of index]Weighting or measuring Unit] [Expiry Date]	ISIN or Reuters-Code of the Underlying	[Relevant Exchange] or] [Relevant reference market [or] [Relevant Index Calculator]	Relevant Adjustment Exchange for Underlying („Adjustment Exchange")	Calculation Date	Reference Price of Underlying („Reference Price“)	Currency in which the Reference Price is determined ("Reference currency“)	[other specific terms]
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############
#############	###########	#############	#############	###########	#############	#############	#############

Basket Component [Name of Firm][Type of Share] [Type of Index][Weighting or measuring Unit] [Expiry Date]	ISIN or Reuters-Code of Basket Component	[Relevant Exchange] [or] [Relevant Reference Market] [or] [Relevant Index Calculator for Basket Component]	Relevant Adjustment Exchange for Basket Component („Relevant Exchange")	Reference Price of the Basket Component („Reference Price“)	[Weighting] [Weighting factor] of Basket Component	Currency in which the Reference Price is determined („Reference Currency“)	[other specific terms]
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########
#############	#############	#############	#############	#############	#############	#############	###########

The abbreviations stand for the following names:

#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########
#######, ####	:	#####, ####, ########

[For the purposes of clarity the exposure of the table in the Final Terms and Conditions, particular the arrangement of the crevices may differ from the exposure made in this base prospectus]

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4. The following terms have the following meanings in these Terms and Conditions:

„Banking Day"
#######.
"Expiry Day":
########.

"Expiry Day+ 1“:
########.

"Date of Initial Offer":
########.

„Exercise Period“:
#############

„Minimum Exercise Volume“:
###########

„Reference Price of the Underlying (basket)“:
###########.

„Calculation Date“:
###########.

"Modified Calculation Date":
###########.

"Modified Calculation Date + 1":
###########.

„Currency Conversion Date“:
###########.

„Adjustment Period“:
######.

„Adjustment Rate“:
######.

„Interest Rate Correction Factor“:
######.

„Adjustment due to dividend payments"
######.

„Adjustment Date“:
######.

„Exercise Date“:
###########.

„Modified Exercise Date“:
###########.

„Modified Exercise Date+ 1“:
###########.

„Observation Period“:
########.

„Observation Hours“:
########.

„Observation Price“:
########.

"Auxiliary Location"
########.

Payment Date upon Termination":
########.

"Payment Date upon Exercise"
########.

"Payment Date upon Early Redemtion":
########.

„Payment Date upon expiry“:
########.

"Reference Rate Service“:
########.

“Reference Rate for the Currency Conversion":
########.

“Central Securities Depositary":
########.

„Clearing Territory of the Central Securities Depositary“:
########.

"Further Securities Depositaries “:
########.

„Issuer's Website“:
########.

„Selection Agent for Adjustments“:

Underlying:	Selection Agent for Adjustments:
####	########
####	########

"Futures Exchanges“:

Underlying:	Futures Exchanges:
####	########
####	########

5. The holder of a warrant (hereinafter, a "Warrant Holder") will have the right in accordance with these Terms and Conditions to receive payment from the Issuer of the Disbursement Amount pursuant to Section 1(6) [or of the Stop-Loss disbursement amount pursuant to section 1 (7) hereof.]

6. The Disbursement Amount is either the intrinsic value, if already expressed in euros, or the intrinsic value converted with the Reference Price for the Currency Conversion into the disbursement currency (euros).

Insert for Warrants:

[Subject to an adjustment of the strike price, the subscription ratio or the other terms of the warrants, the intrinsic value is the difference expressed in the reference currency multiplied by the subscription ratio by which the reference price of the underlying determined on the Calculation Date exceeds (Call warrants) or falls below (Put warrants) the respective strike price.]

Insert for Turbo Warrants:

[Subject to an adjustment of the strike price, the knock-out level, the subscription ratio or the other terms of the warrants, the intrinsic value is the difference expressed in the reference currency multiplied by the subscription ratio by which the reference price of the underlying determined on the Calculation Date exceeds (Bull warrants) or falls below (Bear warrants) the respective strike price.] *[other definitions of intrinsic value*: ###]

Insert for Turbo Warrants with Knock-Out:

[In case that the Observation Price of the underlying, expressed in the currency of the strike price, during the Observation Period within the Observation Hours at any time (hereinafter the "Knock-Out Date") corresponds or falls below the Knock-Out Level (Bull warrant) or corresponds or exceeds the Knock-Out Level (Bear warrant) ("the Knock-Out Event") the term of the warrants will end early with the Knock Out Date.]

[In this case the disbursement amount will be zero.]

If the Stop-Loss Disbursement Amount pursuant to Section 1 (7) is positive, the Warrant Holder will receive the Stop-Loss Disbursement Amount.

[The Issuer will announce the achievement or shortfall (Bull) or achievement or excess (Bear) of the Knock-Out Level and the Stop-Loss Disbursement, if any, pursuant to Section 7.]

[7. If the term of the warrants ends early through the occurrence of a Knock-Out event the Issuer will pay the Warrant Holders a Stop-Loss Disbursement Amount, if any.

The Stop-Loss Disbursement Amount is either the Intrinsic Value upon Stop-Loss, if already expressed in euros, or the Intrinsic Value upon Stop-Loss converted at the Stop-Loss Exchange Rate into the Disbursement Currency (euros).

[Subject to an adjustment of the strike price, or the Knock-Out Level, the subscription ratio or the other terms of the warrants, the “Intrinsic Value upon Stop-Loss” is the difference expressed in the reference currency, multiplied by the subscription ratio by which the respective strike price exceeds (Bull warrants) or falls below (Bear warrants) the respective Knock-Out Level.]

[The "Intrinsic Value upon Stop-Loss" is the present value rounded down to the nearest smallest currency unit of the difference (determined in the reference currency and multiplied by the Subscription Ratio) by which the Calculation Price exceeds (in the case of Turbo Stop-Loss Bull warrants) or falls below (in the case of Turbo Stop-Loss Bear warrants) the strike price.

The "Calculation Price" is the price determined based on the Hedge Price with due regard to the factors affecting the price as of the original Expiry Date of the warrant pursuant to Section 1, Paragraphs 2 respectively 5 (e.g. the anticipated payment flows from the Underlying) by the Issuer for the Underlying as of the original Expiry Date of the warrant pursuant to Section 1, Paragraphs 2 respectively 4.

The "Hedge Price" is the imputed average of the prices attained by the Issuer for the dissolution of the hedge position held by it for the warrants (hereinafter, the "Hedge Position"). The Issuer will dissolve the Hedge Position within a maximum of 60 minutes after the occurrence of the Knock-Out Date, unless stipulated otherwise in these Terms and Conditions of warrants.

The Stop-Loss Exchange Rate is the exchange rate determined by the Issuer at its fair discretion within a maximum of 60 minutes after the occurrence of the Knock-Out Date in lieu of the Reference Rate for the Currency Conversion.

Should the Knock-Out Date occur less than 60 minutes prior to the end of the normal trading hours on the Relevant Stock Exchange, the period available in accordance with the preceding Paragraph for the dissolution of the Hedge Position will be extended accordingly as of the start of the next stock exchange session.

If, during the period available to the Issuer to dissolve the Hedge Position, Market Disruptions in the terms of Section 6(2) occur and the Issuer has not yet dissolved the entire Hedge Position upon the occurrence of the Market Disruptions, the period available to dissolve the Hedge Position will be extended by the duration of the Market Disruptions. The Issuer will also remain entitled during the Market Disruptions to dissolve the Hedge Position. Should the Market Disruptions persist until the end of the third Banking Day following the original Expiry Date of the warrants at the Auxiliary Location and the place of the Relevant Stock Exchange and the Issuer has not yet fully dissolved the Hedge Position, the Hedge Price will be calculated based on the Hedge Position actually dissolved to date. From the intrinsic value upon Stop-Loss calculated in this fact, only the share attributable to one warrant corresponding to the share of the Hedge Position actually dissolved in the Hedge Position held as a whole by the Issuer for this warrant will be paid.

The Issuer will calculate the present value based on the market interest determined by it for the period from the determination date of the Hedge Price to the original Expiry Date of the warrant pursuant to Section 1, Paragraphs 2 respectively 4.

The Issuer will determine the factors affecting the Calculation Price and the factors to be taken into account for the calculation of the present value in consultation with an expert, likely Citigroup Global Markets Ltd., London, which likewise pertains to the corporate group of Citigroup Inc.

Any Stop-Loss Disbursement Amount will be paid in accordance with Section 5, whereby the Payment Date upon Stop-Loss will be the fifth Frankfurt am Main Banking Day following the determination of the Hedge Price.]

The "Stop-Loss Exchange Rate" is the exchange rate determined by the Issuer at its fair discretion within a maximum of 60 minutes after the occurrence of the Knock-Out Date in lieu of the Reference Rate for the Currency Conversion.

Any Stop-Loss Disbursement Amount will be paid in accordance with Section 5, whereby the Payment Date upon Stop-Loss will be the fifth Frankfurt am Main Banking Day following the determination of the Knock-Out event.]

[The Stop-Loss Disbursement Amount is the difference by which the Hedge Price exceeds (in the case of Open End Turbo Stop-Loss Bull warrants) or falls below (in the case of Turbo Stop-Loss Bear warrants) the strike price, multiplied with the subscription ratio and converted into Euro at the Stop-Loss Exchange Rate.

The "Hedge Price" is the volume-weighted imputed average of the prices attained by the Issuer for the dissolution of the hedge position held by it for the warrants (hereinafter, the "Hedge Position"). The Issuer will dissolve the Hedge Position within a maximum of 60 minutes after the occurrence of the Knock-Out Date, unless stipulated otherwise in these Terms and Conditions of warrants.

The "Stop-Loss Exchange Rate" is the exchange rate determined by the Issuer at its fair discretion within a maximum of 60 minutes after the occurrence of the Knock-Out Date in lieu of the Reference Rate for the Currency Conversion.

Should the Knock-Out Date occur less than 60 minutes prior to the end of the normal trading hours on the Relevant Stock Exchange, the period available in accordance with the preceding Paragraph for the dissolution of the Hedge

Position will be extended accordingly as of the start of the next stock exchange session.

If, during the period available to the Issuer to dissolve the Hedge Position, Market Disruptions in the terms of Section 5(5) occur and the Issuer has not yet dissolved the entire Hedge Position upon the occurrence of the Market Disruptions, the period available to dissolve the Hedge Position will be extended by the duration of the Market Disruptions. The Issuer will also remain entitled during the Market Disruptions to dissolve the Hedge Position and to determine the Stop-Loss Exchange Rate. Should the Market Disruptions persist until the end of the third Banking Day in Frankfurt am Main following the next Exercise Date of the warrants and the Issuer has not yet fully dissolved the Hedge Position, the Hedge Price will be calculated based on the Hedge Position actually dissolved to date. From the intrinsic value upon Stop-Loss calculated in this fact, only the share attributable to one warrant corresponding to the share of the Hedge Position actually dissolved in the Hedge Position held as a whole by the Issuer for this warrant will be paid.

Any Stop-Loss Disbursement Amount will be paid in accordance with Section 5(4), whereby the Payment Date upon Stop-Loss will be the fifth Frankfurt am Main Banking Day following the determination of the Hedge Price.][*other definitions of Stop-Loss disbursement amount:*###]

Insert for Open End Turbo Warrants:

[The respective strike price of a series is changing on each calendar day during an Adjustment Period by the adjustment amount pursuant to Section 1(5). The adjustment amount may be different for Open End Turbo Stop Loss Bull warrants and Open End Turbo Stop Loss Bear warrants, The respective adjustment amount of each series for the respective Adjustment Period corresponds to the strike price on the Adjustment Date falling in the respective Adjustment Period multiplied by the Adjustment Rate applicable in such Adjustment Period, whereby day count fraction actual/360 will be applied. The strike price resulting for each calendar day shall be rounded [at the reasonable discretion of the Issuer] [other definition of rounding], whereas the calculation of the next following strike price will be conducted on basis of the unrounded strike price of the preceding day. The relevant strike price for the upcoming calculations in the first Adjustment Period corresponds to the strike price on the Date of Initial Offer.

In case of a Dividend Payment of one of the shares evident in table 1, the current strike price and Knock-Out Level will be adjusted in accordance with Section 1(5) (Adjustment due to dividend payments).

[The relevant Knock-Out Level of a series of warrants corresponds [for the first Adjustment period to the value mentioned in table 1. For every further Adjustment Period the Knock-Out Level will be determined at the Adjustment Date falling in this Adjustment Period at the reasonable discretion of the Issuer (§ 315 BGB) in respect to the prevailing market situation (especially in respect to the volatility)] [to the strike price][*other definitions of Adjustment of Strike Price and Knock-Out Level*: ###]

In case of a price index the Knock-Out Level will be adjusted in accordance with Section 1(4) (Adjustment due to dividend payments).

8. The term of the warrant will commence upon the date of the initial offer. [The term of the warrant will end with the determination of the value of the Underlying decisive for the calculation of the Disbursement Amount pursuant to Section

1(6). The term will end early on the Knock-Out Date pursuant to Section 1(6), Paragraph 4.] [The holder of a warrant is entitled to exercise the warrant solely with effect to a Exercise Date pursuant to Section 1(4). The Issuer is entitled to terminate the warrants in accordance with Section 6.][(*other Provisions for term of warrants: ###*]

9. The Issuer will be entitled at any time without the approval of the Warrant Holders to increase the volume of offered warrants (even for individual series) beyond the volume mentioned in Section 1(2) through the offer of further warrants at the same terms. In the event of such a further offer, the term "warrants" will also encompass the additionally offered warrants.

Section 2
Form of Warrants; Collective Deposit

1. Each series of the warrants issued by the Issuer will be represented by a global bearer warrant (hereinafter, "Global Bearer warrant"), which will be deposited with the Central Securities Depositary pursuant to Section 1(5). No effective warrant certificates will be issued throughout the term.

2. The warrants will be transferred as co-owner's interests in the respective Global Bearer warrant pursuant to the rules of the Central Securities Depositary and, outside the Clearing Territory of the Central Securities Depositary, the Further Securities Depositaries pursuant to Section 1(5) or, in the event of Section 10(3), other foreign depositaries or banks for central depository of securities.

Section 3
Adjustments

Insert if Underlying are Share Indexes:

1. The strike price[, the Knock-Out Level] and the subscription ratio are evident in Section 1(2); these and the other terms of the warrants decisive for calculating the Disbursement Amount are subject to adjustment pursuant to following provisions (hereinafter "Adjustments").

[2. Future updates in the calculation of the Underlying by the Relevant Index Calculator, particularly changes in the composition and weighting of the shares considered in the Underlying, price adjustments based on market-contingent price changes (e.g. as a consequence of capital actions or dividend payments) and other system-related adjustments will not lead, unless the prerequisites in Section 3 have been met, to any change in the strike price [and the Knock-Out Level] or the relevant Reference Price decisive for the calculation of the intrinsic value.

3. An adjustment will only be conducted in the event the computation of the Underlying by the Relevant Index Calculator on the Calculation Date no longer corresponds to the computation on the date of the initial offer due to a change in the method of computation. This will be the case particularly in the event a recalculation of the Underlying in accordance with the new method of computation for the date of the initial offer would result in a value deviating from the actual value determined on such date, although the recalculation was based on the share prices determined on the date of the initial offer and the shares were weighted as on the date of the initial offer. No modifications pursuant to Section 3(2) will lead to an adjustment.

4. The adjustments will be computed by an expert to be determined by the Selection Agent for Adjustments pursuant to Section 1(4). The adjustments will be computed by the expert in such a manner that the financial position of the Warrant Holder remains essentially unchanged, as feasible, despite the modification pursuant to Section 3(3).

5. If the Issuer is the Selection Agent for Adjustments pursuant to Section 1(4), the Issuer will name an expert immediately after the occurrence of a modification pursuant to Section 3(3) and will immediately commission such expert to compute the Adjustments for the warrants. Otherwise, the Issuer will request the Selection Agent for Adjustments pursuant to Section 1(4) to name an expert in accordance with any agreement existing with the Issuer and will immediately commission such expert to compute the Adjustments for the warrants.

   The Issuer will announce the necessity of an Adjustment as well as the Adjustments communicated by the expert without undue delay pursuant to Section 7 hereof.

6. In the event the expert reaches the conclusion that no financially appropriate Adjustment to the occurred modification is possible by means of an Adjustment, the Issuer will recalculate the Reference Price of the Underlying decisive for the determination of the intrinsic value [or the values of the Underlying decisive for the occurrence of the Knock-Out Event], taking as a basis the last value determined by the Relevant Index Calculator prior to the occurrence of the modification on the basis of the method of computation utilized by the Relevant Index Calculator on the date of the initial offer, including the system-related Adjustments to be made pursuant to Section 3(2).

   The Issuer will take up the recalculation immediately following the determination of the expert with regard thereto, thereby also retroactively determining the value of the Underlying decisive until the occurrence of the modification.

   The Issuer will calculate the Reference Price at least once for each trading day of the Underlying and publish such values pursuant to Section 7.

7. With regard to warrants which are exercised between the day on which the Issuer determines a reason for Adjustment pursuant to Section 3 and the day on which the expert has communicated the Adjustments to the Issuer or the Issuer has computed the Reference Price of the Underlying (hereinafter, the "Adjustment Period"), the payment of any Disbursement Amount will be made with due regard to the Adjustments determined by the expert and any Reference Price computed by the expert pursuant to Section 3(6) within five Banking Days after the day on which the expert communicates the Adjustments to the Issuer.

8. In the event the Underlying is invalidated by the Relevant Index Calculator and is replaced by another index, Sections 3 (4) and (5) will apply accordingly. In accordance therewith, the expert will determine the Adjustments with reference to the new index.

   In the event the computation of the Underlying by the Relevant Index Calculator is invalidated without replacement, Section 3 (6) will apply accordingly.

   In the event the Underlying is no longer determined in the future by the Relevant Index Calculator but by another institution which continues to use the method of computation applied on the date of the initial offer by the Relevant Index Calculator, the values of the Underlying calculated by such institution will be decisive for the computation of the intrinsic value. In the event a continuance by several institutions occurs, the Issuer will be entitled to determine the relevant institution.

9. Should the expert draw the conclusion that it is not possible for the Issuer to recalculate the value of the Underlying, the warrants will lose their validity ("Early Repayment").

10. In the case of Early Repayment, the Issuer will determine the fair market value of the warrants after consulting with an expert appointed by it and instigate the transfer of the fair market value to the Warrant Holders on the Payments Date upon Early Repayment via the Central Securities Depositary (Early Repayment). The Central Securities Depositary will forward the fair market value to the Warrant Holders registered with it within three Banking Days after the Issuer has transferred the fair market value to the Central Securities Depositary.

    If, in the case of Early Repayment, no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

    The Issuer will announce the invalidity of the warrants and the fair market value without delay pursuant to Section 7 hereof.

11. The calculation of the Adjustment pursuant to Section 3(4) as well as the determination pursuant to Section 3(6) sentence 1 and Section 3(9) by the expert named by the Selection Agent for Adjustments will be binding upon the Warrant Holders and the Issuer, except in the case of obvious errors.][*other definitions of Adjustment*: ###]

Insert if Underlying are Share Prices:

1. The strike price [, the Knock-Out Level] and the subscription ratio are evident in Section 1(2); these and the other terms of the warrants decisive for calculating the Disbursement Amount are subject to adjustment pursuant to following provisions (hereinafter "Adjustments").

[2. Provided the Relevant Stock Exchange is not domiciled in Japan, the following provisions will apply to Adjustments:

    a) Adjustments will [-subject to Section 3 (2) c)-] only be made if during the period commencing on (and including) the Day of Initial Offer and ending on (and including) the Calculation Date of the respective warrant the option contracts issued by the Adjustment Exchange in relation to the stock of the company are adjusted or no Adjustment is made only because no option contracts related to the company's stock are outstanding.

    b) The Adjustments will be calculated by an expert commissioned by the Issuer. The Adjustment is to be calculated by the expert so as to largely correspond to the adjustment of the option contracts actually made by the Adjustment Exchange, or, in the event no adjustment is made thereby merely because no option contracts related to the Company's stock are outstanding on the Adjustment Exchange, the Adjustment is to be calculated in accordance with the rules of the Adjustment Exchange so as to leave the financial position of the Warrant Holder unchanged to the greatest degree possible, despite the Adjustment. If no Adjustments are to be made in accordance with the rules of the Adjustment Exchange in relation to the option contracts, the terms of the warrant will remain unchanged.

The Adjustment Exchange will base its decision on the Adjustment of the option contracts related to the stock of the company on its rules of adjustment as amended, which the Adjustment Exchange may modify at any time during the term of the warrants; in particular, new adjustment rules may be added or existing rules changed. Furthermore, the rules of the Adjustment Exchange are not conclusive and may include the exercise of discretion or the extension of the adjustment rules by internal or external boards. Normally, a capital increase in return for cash contributions, the issue of securities with stock options or conversion rights, a capital increase from company resources, distribution of special dividends, share splits, mergers, wind-up or nationalization will inter alia be considered as Adjustment events.

With regard to warrants which are exercised between the day on which the Adjustment Exchange or the Issuer determines a reason for Adjustment pursuant to Section 3(2) and the day on which the expert has communicated the Adjustments to the Issuer (hereinafter, the "Adjustment Period"), the payment of any Disbursement Amount will be made with due regard to the Adjustments determined by the expert within five Banking Days after the day on which the expert communicates the Adjustments to the Issuer.

c) [If there should [not exist an Adjustment Exchange] [or] [an Adjustment of the warrants at the reasonable discretion of the Issuer become necessary for a reason that does not require an Adjustment at the Adjustment exchange pursuant to the above mentioned paragraphs] [particular in case of an event that affects a dilution or concentration or that has another effect to the [intrinsic] value of the [warrants][or the value of the stock], the expert will determine the required Adjustments at his fair discretion in a manner, that the financial position of the Warrant Holder extensively remains unmodified.

d][c]) Immediately after the determination of the necessity of an Adjustment by the Adjustment Exchange pursuant to Section 3 (2) a, the Issuer will appoint and commission an expert to compute the Adjustments of the warrants.

The Issuer will announce the necessity of an Adjustment as well as the Adjustments communicated by the expert without undue delay pursuant to Section 7 hereof.

[d][e]) Should the Adjustment Exchange terminate the option contracts outstanding on the stock early or, [-if no option contracts are outstanding on the stock on the Adjustment Exchange-], should the expert come to the conclusion that no appropriate adjustment to the changes made is possible through an Adjustment, the warrants will cease to be valid (individually or together with Section 3 (3) j), hereinafter "Early Repayment").

3. Insofar as the Relevant Stock Exchange is domiciled in Japan, the following provisions will apply for Adjustments[,whereas the Issuer is entitled notwithstanding the provisions below to use the adjustment terms pursuant to section 3 (2) at its reasonable discretion at any time]:

a) In the event of an Adjustment of the strike price [or the Knock-Out Level] pursuant to Section 3(3), the previous subscription ratio will be adjusted with effect as of the Adjustment date of the strike price or [the Knock-Out Level] by being multiplied by the reciprocal value of the quotient applied pursuant during the Adjustment of the strike price pursuant to Section 3(3) and will be rounded up or down to the third decimal place.

b) If the company (i) distributes dividends in the form of shares or issues ex gratia stock, (ii) divides or consolidates its outstanding stock (including any consolidation by operation of law), the Issuer, subject to the provision in Sentence 4, will adjust the strike price [or the Knock-Out Level] on the Adjustment Date pursuant to Sentence 2 by multiplying it with a quotient in accordance with the following equation:

$$P = W \cdot \frac{K}{X}$$

P = adjusted strike price [or Knock-Out Level]

W = strike price [or Knock-Out Level] before the Adjustment

K = number of shares immediately before the occurrence of one of the aforementioned events

X = number of shares immediately after the occurrence of one of the aforementioned events

In the case of a division or consolidation of shares, the "Adjustment Date" will be the Banking Day immediately following the effective date of the division or consolidation and in the case of a dividend in the form of shares or the issue of ex gratia shares the first Banking Day following the Cutoff Date pursuant to Section 3 (3) e (iv). Should the distribution of dividends in the form of shares or the issue of ex gratia shares in accordance with the Japanese law applicable to the company, require the approval of the shareholders in general meeting or of the board of directors prior to the effective bestowal and should such approval be issued after the Cutoff Date, then the "Adjustment Date" will be the first Banking Day following the issuance of the approval; the Adjustment will be made in such case retroactively as of the first Banking Day following the Cutoff Date.

If the Cutoff Date for the distribution of a dividend in the form of shares or of ex gratia shares coincides with that for the bestowal of rights pursuant to Section 3(3)c, neither the strike price][or the Knock-Out Level] pursuant to Section 3(3)b nor the subscription ratio pursuant to Section 3(3)a will be adjusted. Instead, the total number of shares to be issued based on any distribution of dividends in the form of shares or ex gratia shares will be added to the numerator of the equation in Section 3 (3) c.

c) If the company offers its shareholders subscription rights entitling them to acquire shares or other securities with warrants or which are convertible or exchangeable into shares at a subscription, conversion, or other issue price below the market price of the share pursuant to the definition in Section 3 (3) e (i) on the Determination Date, the Issuer will adjust the strike price [or the Knock-Out Level] by multiplying it with a quotient in accordance with the following equation:

$$P = W \cdot \frac{A + f}{A + a}$$

P and W have the meanings described in Section 3 (3) b and the following factors have the following meanings:

A = number of issued shares in the event designated as (i) on the day before the Cutoff Date (record date) or in the event designated as (ii) on the day before the day on which the company determines this price;

f = number of shares that can be acquired at the market price pursuant to the definition in Section 3(3)e(i) using (i) the total acquisition price for all shares or other securities offered based on the subscription rights and/or (ii) the total amount which the company would receive upon exercising all warrants;

a = number of shares offered for subscription and/or those shares originally to be issued upon a conversion, swap or exercise of the warrants for the other securities to be subscribed.

The "Determination Date" is the Cutoff Date pursuant to Section 3 (3) e (iv) and/or the date on which the company determines the respective price, if such date is after the Cutoff Date. The Adjustment of the strike price [or the Knock-Out Level] will be made on the first Banking Day following the Determination Date effective as of the first Banking Day following the Cutoff Date pursuant to Section 3 (3) e) (iv).

d) If the company allocates its shareholders their own debt certificates, assets (except for regular cash and interim dividends) or other stock of the company as common shares or subscription rights for such (except for the rights listed in Section 3 (3) c), the Issuer will adjust the strike price or the Knock-Out by multiplying it with a quotient pursuant to the following equation:

$$P = W \cdot \frac{(c - b)}{c}$$

P and W have the meanings described in Section 3 (3) b and the following factors have the following meanings:

c = market price per share pursuant to the definition in Section 3(3)e(iv) on the Cutoff Date decisive for such allocation; and

b = the portion attributable to a share of the aforementioned allocations of debt certificates, assets, other stocks or rights at a fair market value to be determined by the Issuer at its fair discretion.

The Adjustment will be made on the first Banking Day following the Cutoff Date decisive for the allocation pursuant to Section 3 (3) e (iv). Should any such allocation require the approval of the shareholders in general meeting or of the board of directors in order to be valid in accordance with the Japanese law applicable to the company and this approval is issued after the Cutoff Date pursuant to Section 3 (3) e (iv), the Adjustment will be made on the first Banking Day following the issuance of the approval; the Adjustment will in such case be made retroactively to the first Banking Day following the Cutoff Date.

e) Otherwise, the above Adjustments will be subject to the following provisions:

(i) The closing price of the share determined on the securities exchange in Tokyo will be considered as the market price per share on any given date.

(ii) Shares not yet issued during the calculation of the Adjustment of the strike price [or the Knock-Out Level] will be treated as issued to the extent in which the strike price [or the Knock-Out Level] was previously adjusted in order to take into account the issue of such shares or securities convertible or exchangeable into shares or of subscription rights or warrants to such shares or securities.

(iii) The Adjustment of the strike price will be calculated to the exact yen, whereby each 0.5 yen will be rounded up.

(iv) The "Cutoff Date" will be the date decisive for determining the shareholders entitled to dividends or subscription rights (record date).

f) In the event of a merger or sale of assets of the Company through which its outstanding common share class or type is changed, the intrinsic value pursuant to Section 1(7) will be adjusted with due regard to the type of and the subscription ratio for the shares, other securities or values so that the financial position of the Warrant Holder is arranged, as feasible, as if the Holder's option related to the subscription (call) or the acceptance (put) of these shares and not to the intrinsic value and as if the Warrant Holder had exercised his or her right immediately prior to any such change. Such an Adjustment of the intrinsic value will be made as far as possible by interpreting the preceding provisions and adjusting the strike price [the Knock-Out Level] pursuant to Section 3(3), Literi b) to d) and the subscription ratio pursuant to Section 3(3)a.

g) Any Adjustment of the strike price [,Knock-Out Level] or subscription ratio pursuant to Section 3(3)a, and re-division or change in the class or type of share pursuant to Section 3(3)f and the day on which the adjustment, re-division or change takes effect will be notified by the Issuer pursuant to Section 7.

h) A "Banking Day" in the terms of this Section 3(3) will be any day on which banks in Tokyo are opened for business.

i) Section 6 will apply accordingly to option rights exercised between the Cutoff Date and the Adjustment Date or between the Cutoff Date and the Determination Date of an event described in Section 3(3), Literi b) to d) and f).

j) Should the Issuer draw the conclusion that it is not possible to adjust to the change which has occurred through an Adjustment pursuant to Section 3 (3), the warrants will lose their validity (hereinafter referred to individually or together with Section 3 (2) d as "Early Repayment").

4. In the case of Early Repayment, the Issuer will determine the fair market value of the warrants after consulting with an expert appointed by it and instigate the transfer of the fair market value to the Warrant Holders on the Payments Date upon Early Repayment via the Central Securities Depositary (Early Repayment). The Central Securities Depositary will forward the fair market value to the Warrant Holders registered with it within three Banking Days after the Issuer has transferred the fair market value to the Central Securities Depositary.

If, in the case of Early Repayment, no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

The Issuer will announce the invalidity of the warrants and the fair market value without delay pursuant to Section 7 hereof.

5. The calculation of the Adjustment pursuant to Section 3(2) through the expert appointed by the Issuer as well as the determination of the fair market value pursuant to Section 3(4) will be binding upon the Warrant Holders and the Issuer, unless obvious errors exist.][*other definitions of Adjustment: ###]*

Insert if Underlying are Exchange Rates:

1. Should the underlying change during the terms of the warrants due to measures by the Reference Rate Service, the Exchange Rate Reference Agent or third parties or other events described in Section 3(2), the Issuer will be entitled to adjust the strike price[, the Knock-Out Level] or the subscription ratio and the other terms and conditions relevant for calculating the Disbursement Amount.

[2. Should the legal currency of any country referred to in these Terms and Conditions be replaced by a new legal currency, the Issuer will be entitled to replace such references with references to the new legal currency and to express amounts expressed in the old legal currency in the new legal currency at the official conversion rate.

Should the listing of the Underlying be converted by the Exchange Rate Reference Agent or the Reference Rate Service to the new legal currency, the Issuer will be entitled to adjust these Terms and Conditions.

3. The adjusted strike prices [or the adjusted Knock-Out Level] will be computed and the changes in the other terms and conditions of the warrants relevant for calculating the Disbursement Amount will be determined by an expert to be named by the Issuer. The Adjustment will be computed by the expert in such a manner that the financial position of the Warrant Holder remains essentially unchanged, as feasible, despite the modification pursuant to Section 3, Paragraph 1 or 2.

4. Immediately after the occurrence of a modification pursuant to Section 3, Paragraph 1 or 2, the Issuer will name an expert and will immediately commission such expert to compute the adjusted strike prices [, the adjusted Knock-Out Level] or the other terms and conditions of the warrants relevant for calculating the Disbursement Amount.

The Issuer will announce the necessity of an Adjustment as well as the Adjustment determined by the expert pursuant to Section 7.

5. In the event the expert reaches the conclusion that no financially appropriate Adjustment to the occurred modification is possible by means of an Adjustment of the strike prices[, the Knock-Out Level] or the other terms and conditions of the warrants relevant for calculating the Disbursement Amount, the warrants will lose their validity ("Early Repayment").

6. In the event the Underlying is no longer determined in the future by the Exchange Rate Reference Agent or the Reference Rate Service but by another institution which continues to use the method of computation applied on the first day of the selling period by the Reference Rate Service, the values of the Underlying calculated by such institution will be decisive for the computation of the Disbursement Amount [or a Knock-Out Event]. If the determination of the Underlying is discontinued in the future by the Exchange

Rate Reference Agent, the Issuer will be entitled to replace the service with another suitable institution. Should the replacement institution not be available, Section 6 will apply accordingly

7. In the case of Early Repayment, the Issuer will determine the fair market value of the warrants after consulting with an expert appointed by it and instigate the transfer of the fair market value to the Warrant Holders on the Payments Date upon Early Repayment via the Central Securities Depositary (Early Repayment). The Central Securities Depositary will forward the fair market value to the Warrant Holders registered with it within three Banking Days after the Issuer has transferred the fair market value to the Central Securities Depositary.

   If, in the case of Early Repayment, no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

   The Issuer will announce the invalidity of the warrants and the fair market value without delay pursuant to Section 7.

8. The calculation of the Adjustment pursuant to Section 3, Paragraph 1 or 2 as well as the determination of the fair market value pursuant to Section 3(7) by the expert named by the Issuer will be binding upon the Warrant Holders and the Issuer, except in the case of obvious errors.][*other definitions of Adjustment*: ###]

Insert if Underlying are Futures Contracts:

1. The strike price [, the Knock-Out Level] or the subscription ratio are evident in section 1 (2); these and the other terms of the warrants decisive for calculating the Disbursement Amount are subject to adjustment pursuant to the following provisions: hereinafter "Adjustments").

[2. The Futures Contract will be substituted on each [*Date of substitution*: ###] by a Futures Contract with the same contract terms with effect from [*Date when the substitution takes effect*:###,], whereas the expiry Date of the new relevant Futures Contract corresponds to *[Definiton of the expiry Date*]. The strike price will be adjusted on each [*Date of Adjustment*:###] with effect from [*Date when the Adjustment takes effect*:###]. The Adjustment of the strike price will be conducted by decreasing (respectively increasing) the previous relevant strike price by the absolute difference by which the settlement price, determined at the last trading day of the previous relevant Futures contract exceeds (respectively falls below) the settlement price of the new relevant Future contract.

3. If during the term of the warrants the underlying concept of the Futures contract will be changed in such a substantial way that in the opinion of the Issuer a comparability to the previous concept is not granted any longer, or the trading of the Futures contract on the relevant exchange ceases completely, an expert appointed by the Issuer, will determine on each relevant trading day of the relevant exchange a fictive daily closing price from the day on which the modifications occurred. This determination will be made on basis of the calculation method, which is currently used for the determination of the theoretical value of the futures contract (fair value).

In case that a fictive daily closing price is determined, this price is understood as the daily closing price like it is stipulated in this terms and conditions.

4. Should the expert draw the conclusion that a further calculation of the price of the futures-contract is impossible, the warrants will lose their validity („Early Repayment“).

5. In the case of Early Repayment, the Issuer will determine the fair market value of the warrants after consulting with an expert appointed by it and instigate the transfer of the fair market value to the Warrant Holders on the Payments Date upon Early Repayment via the Central Securities Depositary (Early Repayment). The Central Securities Depositary will forward the fair market value to the Warrant Holders registered with it within three Banking Days after the Issuer has transferred the fair market value to the Central Securities Depositary..

   If, in the case of Early Repayment, no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

   The Issuer will announce the invalidity of the warrants and the fair market value without delay pursuant to Section 7 hereof.

6. The calculation of the Adjustment pursuant to Section 3, Paragraph 2 as well as the determination of the fair market value pursuant to Section 3(3-5) by the expert named by the Issuer will be binding upon the Warrant Holders and the Issuer, except in the case of obvious errors.][*other definitions of Adjustment*: ###]

Insert if Underlyings are Commodities:

1. The strike price [, the Knock-Out Level] or the subscription ratio are evident in section 1 (2); these and the other terms of the warrants decisive for calculating the Disbursement Amount are subject to adjustment pursuant to the following provisions: hereinafter "Adjustments").

[2. Changes in the manner of calculation of the Reference Price or other relevant prices or values of the Underlying pursuant to this warrant terms and conditions including alterations of the relevant trading days and trading hours of the underlying at the reference market, entitle the Issuer to accordingly adjust the terms of the warrants.] [*other definitions of Adjustment*: ###]

Insert if Underlyings are Baskets:

1. The strike price [, the Knock-Out Level] or the subscription ratio are evident in section 1 (2); these and the other terms of the warrants decisive for calculating the Disbursement Amount are subject to adjustment pursuant to the following provisions: hereinafter "Adjustments")..

[2. If [in respect to a basket component an event occurs that affects the economic consistency of the price-development of a basket component or which pursuant to the above mentioned provisions would represent with respect to a particular basket component an event which triggers an Adjustment, the Issuer is entitled to adjust the weighting factor of the affected Basket component or other terms of the Warrants. The Adjustment of the terms of the warrants shall be made with the aim of maintaining the economic value of the Warrants at the same level existing prior to the occurrence of the event triggering the Adjustments.][*other definitions of Adjustment*: ###]

Section 4
Sale Restrictions

1. The warrants will not be registered under the United States Securities Act of 1933 as amended; the warrants have not been admitted to trading by the United States Commodity Futures Trading Commission ("CFTC") under the United States Commodity Exchange Act. The warrants may not be offered, sold or delivered at any time directly or indirectly in the United States of America, its territories or possessions or to or through U.S. Persons. When exercising the warrants, the Warrant Holders will be obligated to assure that the warrants will not be held either directly or indirectly on behalf of a U.S. Person.

   The Issuer is not registered with the CFTC as a commission merchant. By purchasing and accepting the warrants, the Warrant Holder represents that he or she is not a United States Person as defined below and that he or she will sell the warrants in advance should he or she fall under the definition of a United States Person in the future; the Warrant Holder hereby further represents that he or she has not offered, sold or traded the warrants directly or indirectly in the United States at any time and will likewise not do so in the future; the Warrant Holder hereby also represents that: (a) he or she has not offered, sold or traded the warrants to a United States Person directly or indirectly at any time or negotiated with such a person and will likewise not do so in the future (whether on his or her own behalf or on behalf of a third party); and (b) he or she has not purchased the warrants for the account of any United States Person. The Warrant Holder hereby agrees to deliver the buyer these sale restrictions and the following explanations upon the sale of the warrants or to refer the buyer in writing to these sale restrictions.

   The following definitions apply: "United States" means the United States of America (including the states thereof, the District of Columbia, and the territories, possessions and other areas under the jurisdiction thereof); "United States Person" means any citizen or resident of the United States of America as well as any corporation or partnership or other company organized or established under the law of the United States of America or any of its territorial authorities as well as any estates and trust funds which are subject to the taxation of the United States of America, irrespective of the source of their income.

2. With respect to any activity in connection with Citigroup warrants/certificates or other derivate products in the United Kingdom, all applicable provisions of the Financial Services and Markets Act 2000 (hereinafter "FSMA") must be observed. Any dissemination of offers or incentives to initiate investment activity in the terms of Paragraph 21 of the FSMA may only be made or instigated in connection with the issue or sale of warrants/certificates or other derivate products in cases in which Paragraph 21 of the FSMA does not apply.

3. With respect to any activity in connection with the warrants, particularly the acquisition or sale thereof, and/or the exercise of options from the warrants, the provisions of law applicable in the respective country must be observed by the Warrant Holders and any other market participants involved. Normally, the warrants may only be offered publicly if a sales or stock exchange prospectus in compliance with the provisions of law of the country in which the public offer is made has been approved and published. The publication must normally be made by the person submitting the corresponding offer in the respective jurisdiction. Warrant Holders and/or persons interested in acquisition are

therefore obligated to inform themselves of and comply with the provisions of law in this regard.

Section 5
Exercise of the Warrants

Insert for Warrants with European Exercise Style:

[1. The option may only be exercised by the Warrant Holder with effect as of the Expiry Date of the respective warrant.

If the Disbursement Amount reveals a positive value, the option of the respective warrant will be considered as exercised on the Expiry Date without any further prerequisite and without the issuance of any express exercise declaration (hereinafter, "Automatic Exercise").

2. The Issuer will transfer the Disbursement Amount, if any, on the Payment Date upon Exercise to the Central Securities Depositary for credit of the Warrant Holders registered with the Central Securities Depositary by close of business on the preceding Banking Day at the registered office of the Central Securities Depositary.

3. The Central Securities Depositary has agreed with the Issuer on a corresponding transfer.

In the event no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

4. All taxes and other charges incurred in relation to the exercise of the warrants are to be borne by the Warrant Holder.

5. If the expiry Date falls between the day on which the Adjustment Exchange and the Issuer determine a ground for Adjustment pursuant to Section 3 and the day on which the expert communicates the Adjustments to the Issuer (hereinafter, the "Adjustment Period"), the Payment Date will be upon expiry of the first common Banking Day at the place of the Frankfurt Exercise Agent and at the place of the Central Securities Depositary following the day on which the expert has communicated to the Issuer the adjustment strike price, the adjustment Knock-Out Level and the other adjusted terms and conditions for the Expiry Date. The value of the share decisive on the Expiry Date and the Adjustment made by the expert will be decisive when calculating the Disbursement Amount pursuant to Section 1 (6).

6. The Disbursement Amount, Stop or fair market value will be paid in freely convertible and disposable legal tender of the Federal Republic of Germany and the Issuer will not be obligated to issue any declarations.][*other definitions of exercise:* ###]

Insert for Warrants with American Exercise Style:

[1. For the effective exercise of the warrants, the Warrant Holder must fulfill the prerequisites mentioned below vis-à-vis the respective exercise agent. In addition, the provisions in Paragraphs 2 to 4 apply.

a) When exercising the warrants vis-à-vis the exercise agent in #####, the Warrant Holder must present ######

b) When exercising the warrants vis-à-vis the exercise agent in #####, the Warrant Holder must present ######

c) When exercising the warrants vis-à-vis the exercise agent in #####, the Warrant Holder must ######

d) When exercising the warrants vis-à-vis the exercise agent in #####, the Warrant Holder must ######

2. The Exercise Declaration will become effective on the Exercise Date pursuant to Section 1(5).

Any revocation of the Exercise Declaration, even prior to the date the exercise becomes effective, is hereby excluded.

All prerequisites mentioned in Sections 5(1) must be fulfilled within 15 Banking Days (at the place of the respective exercise agent) after the occurrence of the first prerequisite. Otherwise, the Issuer or the exercise agent will be entitled to return to the Warrant Holder without interest any performances previously rendered at the Warrant Holder´s own cost and risk; the exercise of the warrant will not become effective in such case.

3. All taxes and other charges incurred in relation to the exercise of the warrants are to be borne by the Warrant Holder.

The Disbursement Amount will be paid in freely convertible and disposable legal tender of the Federal Republic of Germany, without the Issuer or the exercise agent being obliged to issue declarations of any type.

4. The Issuer will transfer the Disbursement Amount, if any, on the Payment Date upon Exercise to the Central Securities Depositary for credit of the Warrant Holders registered with the Central Securities Depositary by close of business on the preceding Banking Day at the registered office of the Central Securities Depositary.

The Central Securities Depositary has agreed with the Issuer on a corresponding transfer.][*other definitions of exercise:###*].

Section 6
Market Disruptions/ Disruption of Convertability

1. [In the event Market Disruptions occur on a Calculation Date, the Calculation Date within the meaning of these Terms and Conditions will mean the next following Banking Day which meets the criteria for a Calculation Date pursuant to Section 1 (4) on which the Market Disruptions do not longer exist. If the Market Disruptions persist longer than 5 Banking Days which meet the criteria for a Calculation Date pursuant to Section 1 (4) following the respective Calculation Date, the Issuer will be entitled to calculate the Disbursement Amount based on the last determined Reference Price of the Underlying.] [In the case of the occurrence of a circumstance which is out of scope of the Issuer's responsibility and which prevents or makes it unacceptable for the Issuer (i) to convert the Reference Currency of the Underlying into the Disbursement Currency of the warrants in transactions which are usual in the market or (ii) not to transfer deposits which are kept in the Reference Currency of the Underlying from one jurisdiction into another or (iii) in the case of the occurrence of circumstances which are out of scope of the Issuer's responsibility which have a comparable negative influence on the convertibility of the Reference Currency of the underlying into the Disbursement Currency and if the Issuer concludes after consulting an expert appointed by it that a conversion of the Reference Currency of the Underlying into the Disbursement Currency of the warrants is not possible, the warrants will loose their validity ("Early

Repayment"). In the case of Early Repayment, the Issuer will determine the fair market value of the warrants after consulting with an expert appointed by it and, in respect to the circumstances triggering the early repayment, instigate the transfer of the fair market value to the Warrant Holders on the Payments Date upon Early Repayment via the Central Securities Depositary (Early Repayment). The Central Securities Depositary will forward the fair market value to the Warrant Holders registered with it within three Banking Days after the Issuer has transferred the fair market value to the Central Securities Depositary.

In the event no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.

The Issuer will announce the invalidity of the warrants and the fair market value without delay pursuant to Section 7.] [*other definitions of Market Disruptions or Disruptions of Convertability*: ######]

2.

Insert if Underlyings are Share Indexes:

[Within the meaning of these Terms and Conditions, "Market Disruptions" mean the suspension or the substantial limitation of trading in one or more index components on the stock exchanges, markets or trading systems which prices are utilised for the computation of the index, and/or the suspension or the substantial limitation of trading in any material number of shares composing the Underlying on the relevant stock exchanges or in options or futures contracts referenced to the Underlying and traded on the futures exchanges pursuant to Section 1(4) or in options related thereto. "Market Disruptions" will also exist if the Underlying is not determined due to any event other than those listed in Section 3.

Within the meaning of these Terms and Conditions, "Market Disruptions" will not include (i) any restrictions of trading hours and trading days, if these are based on notified changes in the regular trading hours of the respective exchange or (ii) an end to the trading of the affected contract.] [*other definitions of market disruptions*: ###]

Insert if Underlyings are Share Prices:

[Within the meaning of these Terms and Conditions, "Market Disruptions" mean the suspension or substantial limitation of trading of shares of the respective company on the Relevant Stock Exchange for the underlying or of options or futures contracts or deals related to the stock of the company traded on the Adjustment Exchange or, in the case of underlyings listed on a U.S. Stock exchange, the Chicago Board of Trade or the Chicago Board of Options Exchange, or of any material number of the other shares traded on the Relevant Stock Exchange for the underlying or of options or futures contracts or deals related thereto and traded on another stock exchange. "Market Disruptions" will also exist if the Reference Price of the underlying on the Relevant Stock Exchange is not determined due to any event other than those listed in paragraph 3.

Within the meaning of these Terms and Conditions, "Market Disruptions" will not include (i) any restrictions of trading hours and trading days, if these are based on notified changes in the regular trading hours of the respective exchange or (ii) an end to the trading of the affected contract.] [*other definitions of market disruptions*: ###]

Insert if Underlyings are Exchange Rates:

[Within the meaning of these Terms and Conditions, "Market Disruptions" exist when the buying or offered prices of the Underlying or the buying or offered currency exchange rates based on which the Reference Price of the Underlying is computed are not determined by the Reference Rate Service.][*other Definitions of market disruptions*: ###]

Insert if Underlyings are Futures Contracts:

[Within the meaning of these Terms and Conditions, "Market Disruptions" mean the suspension or substantial limitation of trading in the relevant futures contract.

"Market Disruptions" will also exist if the Reference Price of the Underlying futures contract is not determined due to any other event than those listed in paragraph 3.

Within the meaning of these Terms and Conditions, "Market Disruptions" will not include (i) any restrictions of trading hours and trading days, if these are based on notified changes in the regular trading hours of the respective exchange or (ii) an end to the trading of the affected contract.] [*other Definitions of market disruptions*: ###]

Insert if Underlyings are Commodities:

[Within the meaning of these Terms and Conditions, "Market Disruptions" mean the suspension or substantial limitation of trading at the reference market in general or in the commodity on the Reference market or in futures or options contracts relating to the commodity on a futures exchange on which such commodities are traded.

A limitation of the hours and number of days of trading on the Reference Market is not deemed a Market Disruption if the limitation is based on a scheduled change to the normal business hours of the Reference Market.] [other definition of market disruptions: ###]

Insert for Open End Warrants and other terminable Warrants:

[Section 6a
Termination of the Warrants]

[1. The Issuer is entitled

[, particularly [whereas the compliance with the obligations from the warrants in general or partly is– no matter for what reason– [unlawful or] impracticable or will be or has become under a reasonable economic approach unacceptable] [or] [whereas the maintenance of the Hedge position is – no matter for what reason- [unlawful or] impracticable or will be or has become under a reasonable economic approach unacceptable], particular because the underlying financial Instruments will expire or will be terminated or are omitted for any other reason] [without the need for compliance with further requirements],

to terminate the warrants of a series in whole with ## weeks prior notice. [Such termination shall not come into effect prior than ##.##.####.] The Termination will be announced by the Issuer pursuant to Section 7

2. in case of Issuer's termination, Section 5 (1) to (4) will not apply. In such case, Exercise Date within the meaning of Section 1 (4) will be the day the termination comes into effect. Payment Date is the Payment Date upon Termination pursuant to Section 1(5).

3. In such case, the Issuer will for all warrants effected by the termination transfer the Disbursement Amount on the first Banking Day in Frankfurt am Main following the Exercise

Date for credit to the Warrant Holders registered with the Central Securities Depositary on the second Banking Day in Frankfurt am Main following the Exercise Date (hereinafter referred to as "Payment Date upon Termination").

The Central Securities Depositary has agreed with the Issuer on a corresponding transfer.

In the event no transfer is possible within three months after the Payment Date ("Presentation Period"), the Issuer will be entitled to deposit the corresponding amounts at the Local Court of Frankfurt am Main on behalf of the Warrant Holders at their cost and risk, waiving the right to the return thereof. With the deposit, the claims of the Warrant Holders against the Issuer will be extinguished.] [*other Definitions of termination*: ###]

Section 7
Notices

[Unless prescribed otherwise by the provisions of law applicable at the respective point in time in the countries where the warrants are offered publicly or listed on a stock exchange, the publication will be made in one or more periodicals common or with large circulation in the states in which the public offer has been submitted or the security admitted to trading on an exchange. Publication in one of these periodicals will be sufficient for legal validity. The Issuer is entitled to publish notices on its website in lieu of in the aforementioned periodicals. The Issuer will notify any such change of the publication medium in one of the aforementioned newspapers.][*other definitions of noti*ce: ###]

Section 8
Applicable Law; Jurisdiction

1. The warrants as well as the rights and duties arising therefrom will be subject to the law of the Federal Republic of Germany.

2. With regard to merchants entered in the commercial register, legal persons in public law, public-law special funds and persons without any general place of jurisdiction, Frankfurt am Main will be the place of jurisdiction within the Federal Republic of Germany for the settlement of all disputes. The jurisdiction of the courts of Frankfurt am Main will be exclusive for all complaints filed against the Issuer.

Section 9
Status of Warrants;
Postponement of Maturity Date

1. The warrants will establish general, direct and non-collateralized contractual liabilities of the Issuer ranked equally among themselves and with the Issuer's other existing, non-collateralized, non-subordinated liabilities (except for those liabilities which have priority by operation of law).

2. In the event Citigroup Global Markets Deutschland AG & Co. KGaA or the respective exercise agent is not actually or legally in the position to fulfill its liabilities from the warrants in a legally admissible fashion in Frankfurt am Main or at the place of the respective exercise agent, the due date of such liabilities will be postponed until the date on which it is actually or legally feasible for Citigroup Global Markets Deutschland AG & Co. KGaA or the respective exercise agent to fulfill its liabilities in Frankfurt am Main or the place

of the exercise agent. The Warrant Holders will not be entitled based on any such postponement to any rights against the assets of Citigroup Global Markets Deutschland AG & Co. KGaA or the exercise agent which are located in Frankfurt am Main or elsewhere.

3. The Issuer will announce the occurrence and elimination of any event described in Section 9(2) without delay pursuant to Section 7 hereof.

Section 10
Miscellaneous Provisions

1. In the event any provisions of these Terms and Conditions are invalid or impracticable in whole or in part, the validity of the remaining provisions will not be affected thereby. Any invalid or impracticable provision is to be replaced by that valid and practicable provision which most closely approximates the financially intended purpose.

2. These Terms and Conditions are available at the business premises of the Issuer and/or the exercise agent and will be sent to the Warrant Holders upon request at any time.

3. The Issuer hereby reserves the right to introduce all the warrants or individual series thereof to trading on other securities exchanges, including foreign securities exchanges, and to offer the warrants publicly abroad, and, to take all measures which are necessary in this context to introduce the warrants to trading on the respective stock exchanges or to offer them publicly. The Issuer will moreover be entitled: to allow the Warrant Holder to exercise the warrants vis-à-vis a foreign exercise agent; to disburse the Disbursement Amount in another currency; and to request that the warrants be listed in another currency.

Frankfurt am Main, den ##.##.####

Citigroup Global Markets
Deutschland AG & Co. KGaA

The Terms and Conditions following below are a legally non-binding German translation which serves to facilitate your understanding only. Only the English version of the Terms and Conditions is legally binding:

Optionsbedingungen

[*genaue Bezeichnung*: ###] Optionsscheine

bezogen auf [Aktienindizes][Aktien][Wechselkurse][Rohstoffe][Futures-Kontrakte]
[einen Korb bestehend aus [Aktienindizes][Aktien][Wechselkursen][Rohstoffen][Futures-Kontrakten]]

Nr. 1
Ausstattungsmerkmale, Informationen zum Basiswert, Begriffsbestimmungen

1. Die Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt am Main (nachfolgend der "Emittent" genannt) bietet die in Nr. 1 Ziffern 2 bis 4 dieser Optionsbedingungen beschriebenen [Bull][Call] bzw. [Bear][Put] [*genaue Bezeichnung*: ###] Optionsscheine bezogen auf den in der Referenzwährung ausgedrückten Referenzkurs des jeweiligen Basiswertes (nachfolgend „[Bull][Call] Optionsscheine" bzw. „[Bear][Put] Optionsscheine" und zusammen die „Optionsscheine" genannt) an. Die Ausstattungsmerkmale der angebotenen Optionsscheine, Informationen zum Basiswert und Begriffsbestimmungen sind aus Nr. 1 Ziffern 2 bis 4 ersichtlich.

2. Ausstattungsmerkmale der Optionsscheine (Tabelle 1):

WKN	ISIN	Basiswert	Art	Basispreis [am ersten Tag des Angebots]	[Cap] [Digitaler Zielbetrag]	[Knock-Out Schwelle] [im 1. Anpassungszeitraum]	[Anpassungs-prozentsatz im 1. Anpas-sungszeitraum]	Bezugs-verhält-nis	[Verfall] [Beginn der Laufzeit]	Ausübung	Anzahl	[andere Ausstattungs-merkmale]
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3. Informationen zum [Basiswert][Korb] (Tabelle 2):

Basiswert [Firmenname][Aktienart] [Indextyp][Gewichts- oder sonstige Maßeinheit] [Verfalltermin]	ISIN oder Reuters-Code des Basiswertes	[Maßgebliche Börse] [bzw.] [Maßgeblicher Referenzmarkt] [bzw.] [Maßgeblicher Indexberechner]	Maßgebliche Anpassungsbörse für Basiswert („Anpassungsbörse")	Berechnungstag	Referenzkurs des Basiswertes („Referenzkurs“)	Währung, in der der Referenzkurs ausgedrückt wird („Referenzwährung“)	[andere Ausstattungs-merkmale]
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Korbbestandteil [Firmenname][Aktienart] [Indextyp][Gewichts- oder sonstige Maßeinheit] [Verfalltermin]	ISIN oder Reuters-Code des Korbbestandteils	[Maßgebliche Börse] [bzw.] [Maßgeblicher Referenzmarkt] [bzw.] [Maßgeblicher Indexberechner für den Korbbestandteil]	Maßgebliche Anpassungsbör-se für den Korbbestandteil („Anpassungsbör-se")	Referenzkurs des Korbbestandteils („Referenzkurs“)	[Gewichtung] [Gewichtungs-faktor] des Korbbestandteils	Währung, in der der Referenzkurs aus-gedrückt wird („Referenzwährung“)	[andere Aus stattungs-merkmale]
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Dabei bedeuten im Einzelnen:

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[Zum Zwecke der Übersichtlichkeit kann die Darstellung der Tabellen, insbesondere die Anordnung der Spalten, in den Endgültigen Bedingungen von der hier gewählten Darstellung abweichen.]

Der Rest dieser Seite bleibt absichtlich leer.

4. In diesen Optionsbedingungen bedeuten:

„Bankarbeitstag“:
#######.
„Verfalltag“:
########.

„Verfalltag + 1“:
########.

„Tag des ersten Angebotes“:
########.

„Ausübungsfrist“:
##############

„Mindestausübungsvolumen“:
###########

„Referenzkurs des Basiswerts (Korb)“:
###########.

„Berechnungstag“:
###########.

„Modifizierter Berechnungstag“:
###########.

„Modifizierter Berechnungstag + 1“:
###########.

„Währungsumrechnungstag“:
###########.

„Anpassungszeitraum“:
######.

„Anpassungsprozentsatz“:
######.

„Zinsbereinigungsfaktor“:
######.

„Anpassung auf Grund von Dividendenzahlungen“:
######.

„Anpassungstag“:
######.

„Einlösungstag“:
###########.

„Modifizierter Einlösungstag“:
###########.

„Modifizierter Einlösungstag + 1“:
###########.

„Beobachtungszeitraum“:
########.

„Beobachtungsstunden“:
########.

„Beobachtungskurs“:
########.

„Zusatzort“:
########.

„Zahltag bei Kündigung“:
########.

„Zahltag bei Einlösung“:
########.

„Zahltag bei vorzeitiger Rückzahlung“:
########.

„Zahltag bei Verfall“:
########.

„Wechselkursreferenzstelle“:
########.

„Referenzkurs der Währungsumrechnung“:
########.

„Zentrale Wertpapiersammelbank“:
########.

„Clearinggebiet der zentralen Wertpapiersammelbank“:
########.

„Weitere Wertpapiersammelbanken“:
########.

„Website des Emittenten“:
########.

„Auswahlstelle für Anpassungen“:

Basiswert:	Auswahlstelle für Anpassungen:
####	########
####	########

„Terminbörsen“:

Basiswert:	Terminbörsen:
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5. Der Inhaber eines Optionsscheines (nachfolgend "Optionsscheininhaber" genannt) hat nach Maßgabe dieser Optionsbedingungen das Recht auf Zahlung des Auszahlungsbetrages gemäß Nr. 1 Ziffer 6 [oder des Stopp-Loss Auszahlungsbetrages gemäß Nr. 1 Ziffer 7] durch den Emittenten.

6. Der Auszahlungsbetrag ist entweder der innere Wert, sofern dieser bereits in Euro ausgedrückt ist, oder der mit dem Referenzkurs der Währungsumrechnung in die Auszahlungswährung Euro umgerechnete innere Wert.

   Bei Optionsscheinen einfügen:

   [Der innere Wert ist, vorbehaltlich einer Anpassung des Basispreises, des Bezugsverhältnisses oder der sonstigen Ausstattungsmerkmale der Optionsscheine, die in der Referenzwährung ausgedrückte und mit dem Bezugsverhältnis multiplizierte Differenz, um die der am Berechnungstag festgestellte Referenzkurs des Basiswertes den jeweiligen Basispreis überschreitet (Call Optionsscheine) bzw. unterschreitet (Put Optionsscheine).]

   Bei Turbo Optionsscheinen einfügen:

   [Der innere Wert ist, vorbehaltlich einer Anpassung des Basispreises, der Knock-Out Schwelle, des Bezugsverhältnisses oder der sonstigen Ausstattungsmerkmale der Optionsscheine, die in der Referenzwährung ausgedrückte und mit dem Bezugsverhältnis multiplizierte Differenz, um die der am Berechnungstag festgestellte Referenzkurs des

Basiswertes den jeweiligen Basispreis überschreitet (Bull Optionsscheine) bzw. unterschreitet (Bear Optionsscheine).]

[*andere Definition des Inneren Wertes*: ###]

Bei Turbo Optionsscheinen mit Knock-Out einfügen:

[Falls der Beobachtungskurs des Basiswertes, ausgedrückt in der Referenzwährung, während des Beobachtungszeitraums innerhalb der Beobachtungsstunden zu irgendeinem Zeitpunkt (nachstehend der „Knock-out Zeitpunkt“ genannt) der Knock-out Schwelle des Optionsscheines entspricht oder diese unterschreitet (Bull) bzw. entspricht oder überschreitet (Bear) (das „Knock-out Ereignis“), endet die Laufzeit der Optionsscheine mit dem Knock-out Zeitpunkt vorzeitig.]

[Der Auszahlungsbetrag ist in diesem Falle Null.]

[Sofern der Stopp-Loss-Auszahlungsbetrag gemäß Nr. 1 Ziffer 7 positiv ist, erhält der Optionsscheininhaber den Stopp-Loss-Auszahlungsbetrag.]

[Der Emittent wird das Erreichen oder Unterschreiten (Bull) bzw. Erreichen oder Ueberschreiten (Bear) der Knock-out Schwelle unverzüglich gemäß Nr. 7 bekanntmachen.]

[7. Falls die Laufzeit der Optionsscheine durch ein Knock-out Ereignis vorzeitig endet, wird der Emittent den Optionsscheininhabern einen etwaigen Stopp-Loss-Auszahlungsbetrag zahlen.

Der Stopp-Loss-Auszahlungsbetrag ist entweder der innere Wert bei Stopp-Loss, sofern dieser bereits in Euro ausgedrückt ist, oder der mit dem Stopp Loss-Wechselkurs in die Auszahlungswährung Euro umgerechnete innere Wert bei Stopp-Loss.

[Der innere Wert bei Stopp-Loss ist, vorbehaltlich einer Anpassung des Basispreises, der Knock-Out Schwelle, des Bezugsverhältnisses oder der sonstigen Ausstattungsmerkmale der Optionsscheine, die in der Referenzwährung ausgedrückte und mit dem Bezugsverhältnis multiplizierte Differenz, um die der jeweilige Basispreis die jeweilige Knock-Out Schwelle überschreitet (Bull Optionsscheine) bzw. unterschreitet (Bear Optionsscheine).]

[Innerer Wert bei Stopp-Loss ist der auf die nächste kleinste Währungseinheit abgerundete Barwert der in der Referenzwährung ausgedrückten und mit dem Bezugsverhältnis multiplizierten Differenz, um die der Kalkulationskurs den Basispreis überschreitet (im Falle eines Turbo Stopp Loss Bull Optionsscheines) bzw. unterschreitet (im Falle eines Turbo Stopp Loss Bear Optionsscheines).

Kalkulationskurs ist der auf der Grundlage des Hedge-Kurses und unter Berücksichtigung der auf einen Kurs per Termin ursprünglicher Verfalltag des Optionsscheines gemäß Nr. 1 Ziffer 2 bzw. Ziffer 5 einwirkenden Faktoren (wie z.B. der erwarteten Zahlungsströme des Basiswertes) vom Emittenten festgestellte Kurs des Basiswertes per Termin ursprünglicher Verfalltag des Optionsscheines gemäß Nr. 1 Ziffer 2 bzw. Ziffer 4.

Hedge-Kurs ist der rechnerische Durchschnitt der vom Emittenten erzielten Kurse für die Auflösung der von ihm für die Optionsscheine gehaltenen Hedge-Position (nachfolgend „Hedge-Position“ genannt). Der Emittent wird die Hedge-Position innerhalb von maximal 60 Minuten nach dem Eintritt des Knock-out Zeitpunktes auflösen, sofern in diesen Optionsbedingungen nichts Abweichendes bestimmt ist.

Stopp Loss-Wechselkurs ist der vom Emittenten nach billigem Ermessen innerhalb von maximal 60 Minuten nach dem Eintritt des Knock-Out Zeitpunktes anstelle des

Referenzkurses der Währungsumrechnung festgelegte Wechselkurs.

Sollte der Knock-out Zeitpunkt weniger als 60 Minuten vor dem Ende der üblichen Handelszeit an der maßgeblichen Börse eintreten, verlängert sich der nach dem vorstehenden Absatz zur Verfügung stehende Zeitraum für die Auflösung der Hedge-Position ab Beginn der nächstfolgenden Börsensitzung entsprechend.

Sollte es während des dem Emittenten zur Auflösung der Hedge-Position zur Verfügung stehenden Zeitraumes zu Marktstörungen im Sinne von Nr. 6 Ziffer 2 kommen und der Emittent bei Eintritt der Marktstörungen noch nicht die gesamte Hedge-Position aufgelöst haben, verlängert sich der für die Auflösung der Hedge-Position zur Verfügung stehende Zeitraum um die Dauer der Marktstörungen. Der Emittent bleibt auch während des Vorliegens von Marktstörungen zur Auflösung der Hedge-Position berechtigt. Sollten die Marktstörungen bis zum Ende des dritten auf den ursprünglichen Verfalltag der Optionsscheine folgenden Bankarbeitstages am Zusatzort und am Ort der maßgeblichen Börse andauern und der Emittent die Hedge-Position noch nicht vollständig aufgelöst haben, wird der Hedge-Kurs auf der Grundlage der bisher tatsächlich aufgelösten Hedge-Position berechnet. Von dem daraus errechneten inneren Wert bei Stopp-Loss wird in diesem Falle nur der auf einen Optionsschein entfallende Anteil gezahlt, der dem Anteil der tatsächlich aufgelösten Hedge-Position an der vom Emittenten für diesen Optionsschein insgesamt gehaltenen Hedge-Position entspricht.

Der Emittent wird den Barwert auf der Grundlage des von ihm festgestellten Marktzinses für den Zeitraum vom Tag der Feststellung des Hedge-Kurses bis zu dem ursprünglichen Verfalltag des Optionsscheines gemäß Nr. 1 Ziffer 2 bzw. Ziffer 4 berechnen.

Der Emittent wird die auf den Kalkulationskurs einwirkenden Faktoren ebenso wie die zur Berechnung des Barwertes zu berücksichtigenden Faktoren in Abstimmung mit einem Sachverständigen, voraussichtlich der ebenfalls zum Konzern der Citigroup Inc. gehörenden Citigroup Global Markets Ltd., London, festlegen.

Die Zahlung eines etwaigen Stopp-Loss-Auszahlungsbetrages erfolgt entsprechend Nr. 5, wobei Zahltag bei Stopp-Loss der fünfte auf die Feststellung des Hedge-Kurses folgende Bankarbeitstag in Frankfurt am Main ist.]

Stopp Loss-Wechselkurs ist der vom Emittenten nach billigem Ermessen innerhalb von maximal 60 Minuten nach dem Eintritt des Knock-Out Zeitpunktes anstelle des Referenzkurses der Währungsumrechnung festgelegte Wechselkurs.

Die Zahlung eines etwaigen Stopp-Loss-Auszahlungsbetrages erfolgt entsprechend Nr. 5, wobei Zahltag bei Stopp-Loss der fünfte auf die Feststellung des Knock-Out Ereignisses folgende Bankarbeitstag in Frankfurt am Main ist.]

[Der Stop-Loss Abrechnungsbetrag ist die mit dem Bezugsverhältnis multiplizierte und zum Stop-Loss Wechselkurs in Euro umgerechnete Differenz, um die der Hedge-Kurs den Basispreis überschreitet (im Falle eines Open End Turbo Stop Loss Bull Optionsscheines) bzw. unterschreitet (im Falle eines Open End Turbo Stop Loss Bear Optionsscheines).

Hedge-Kurs ist der volumen-gewichtete rechnerische Durchschnitt der vom Emittenten erzielten Kurse für die Auflösung der von ihm für die Optionsscheine gehaltenen Hedge-Position ausgedrückt in Euro (EUR) (nachfolgend „Hedge-Position“ genannt). Der Emittent wird die Hedge-Position innerhalb von maximal 60 Minuten nach dem Eintritt des Knock-out Zeitpunktes auflösen, sofern in diesen Optionsbedingungen nichts Abweichendes bestimmt ist.

Stop-Loss Wechselkurs ist der vom Emittenten nach billigem Ermessen innerhalb von maximal 60 Minuten nach dem Eintritt des Knock-Out Zeitpunktes an Stelle des Referenzkurses der Währungsumrechnung festgelegte Wechselkurs.

Sollte der Knock-out Zeitpunkt weniger als 60 Minuten vor dem Ende der üblichen Handelszeit an der maßgeblichen Börse(n) eintreten, verlängert sich der nach dem vorstehenden Absatz zur Verfügung stehende Zeitraum für die Auflösung der Hedge-Position bzw. die Festlegung des Stop-Loss Wechselkurses ab Beginn der nächstfolgenden Börsensitzung entsprechend.

Sollte es während des dem Emittenten zur Auflösung der Hedge-Position zur Verfügung stehenden Zeitraumes zu Marktstörungen im Sinne von Nr. 5 Ziffer 5 kommen und der Emittent bei Eintritt der Marktstörungen noch nicht die gesamte Hedge-Position aufgelöst haben, verlängert sich der für die Auflösung der Hedge-Position bzw. die Festlegung des Stop-Loss Wechselkurses zur Verfügung stehende Zeitraum um die Dauer der Marktstörungen. Der Emittent bleibt auch während des Vorliegens von Marktstörungen zur Auflösung der Hedge-Position bzw. zur Festlegung des Stop-Loss Wechselkurses berechtigt. Sollten die Marktstörungen bis zum Ende des dritten auf den nächsten Einlösungstag der Optionsscheine folgenden Bankarbeitstages (in Frankfurt am Main) andauern und der Emittent die Hedge-Position noch nicht vollständig aufgelöst haben, wird der Hedge-Kurs auf der Grundlage der bisher tatsächlich aufgelösten Hedge-Position berechnet. Von dem daraus errechneten Abrechnungsbetrag wird in diesem Falle nur der auf einen Optionsschein entfallende Anteil gezahlt, der dem Anteil der tatsächlich aufgelösten Hedge-Position an der vom Emittenten für diesen Optionsschein insgesamt gehaltenen Hedge-Position entspricht.

Die Zahlung eines etwaigen Abrechnungsbetrages erfolgt entsprechend Nr. 5 Ziffer 4, wobei Zahltag der fünfte auf die Feststellung des Hedge-Kurses folgende Bankarbeitstag in Frankfurt am Main ist.][*andere Definition des Stop-Loss Abrechnungsbetrages*: ###]

Bei Open End Turbo Optionsscheinen einfügen:

[Der jeweilige Basispreis einer Serie verändert sich an jedem Kalendertag während eines Anpassungszeitraumes um den Anpassungsbetrag gemäß Nr. 1 Ziffer 5. Der Anpassungsbetrag für Open End Turbo Stop Loss Bull Optionsscheine und Open End Turbo Stop Loss Bear Optionsscheine kann unterschiedlich sein. Der jeweilige Anpassungsbetrag einer Serie für den jeweiligen Anpassungszeitraum ist der Basispreis an dem in den betreffenden Anpassungszeitraum fallenden Anpassungstag, multipliziert mit dem in diesem Anpassungszeitraum anwendbaren Anpassungsprozentsatz unter Anwendung der Zinskonvention actual/360. Der sich für jeden Kalendertag ergebende Basispreis wird [nach billigem Ermessen des Emittenten gerundet] [andere Rundungsbestimmung], wobei jedoch der Berechnung des jeweils nachfolgenden Basispreises der ungerundete Basispreis des Vortages zu Grunde gelegt wird. Für den ersten Anpassungszeitraum ist der Basispreis am Tag des ersten Angebots für die bevorstehenden Berechnungen maßgeblich.

Im Falle einer Dividendenausschüttung einer in Tabelle 1 aufgeführten Aktie wird der jeweils geltende Basispreis und die Knock-out Schwelle gemäß Nr. 1 Ziffer 5 (Anpassung auf Grund von Dividendenzahlungen) angepasst.

Die jeweilige Knock-out Schwelle einer Serie entspricht [für den ersten Anpassungszeitraum dem in Tabelle 1 genannten Wert. Für jeden weiteren Anpassungszeitraum wird die Knock-out Schwelle an dem in diesem Anpassungszeitraum fallenden Anpassungstag vom Emittenten unter Berücksichtigung der jeweils herrschenden Marktgegebenheiten (insbesondere unter Berücksichtigung der Volatilität) nach billigem Ermessen (§315 BGB) festgelegt] [jeweils dem Basispreis].][*andere Definition der Anpassung von Basispreis und Knock-out Schwelle*: ###]

Handelt es sich bei dem zugrunde liegenden Index um einen Kursindex wird die Knock-Out Schwelle gemäß Nr. 1 Ziffer 4 (Anpassung aufgrund von Dividendenzahlungen) angepasst.

8. Die Laufzeit der Optionsscheine beginnt mit dem Tag des ersten Angebotes. [Die Laufzeit der Optionsscheine endet jeweils mit der Feststellung des für die Berechnung des Auszahlungsbetrages gemäß Nr. 1 Ziffer 6 maßgeblichen Wertes des Basiswertes am Verfalltag. Die Laufzeit endet vorzeitig am Knock-out Zeitpunkt gemäß Nr. 1 Ziffer 6, 4. Absatz.][Der Inhaber eines Optionsscheines kann die Optionsscheine nur jeweils mit Wirkung zu einem Einlösungstag gemäß Nr. 1 Ziffer 4 einlösen. Der Emittent ist zur Kündigung der Optionsscheine gemäß Nr. 6 berechtigt.][*andere Laufzeitbestimmung*: ###]

9. Der Emittent ist jederzeit berechtigt, ohne Zustimmung der Optionsscheininhaber die Zahl der angebotenen Optionsscheine (auch für einzelne Serien) über die in Nr. 1 Ziffer 2 genannte Zahl durch das Angebot weiterer Optionsscheine mit gleicher Ausstattung zu erhöhen. Der Begriff "Optionsscheine" umfasst im Falle eines solchen weiteren Angebotes auch die zusätzlich angebotenen Optionsscheine.

Nr. 2
Form der Optionsscheine, Girosammelverwahrung

1. Jede Serie der vom Emittenten begebenen Optionsscheine ist jeweils in einem Inhaber-Sammeloptionsschein (nachfolgend "Inhaber-Sammeloptionsschein" genannt) verbrieft, der bei der zentralen Wertpapiersammelbank gemäß Nr. 1 Ziffer 4, hinterlegt ist. Effektive Optionsscheine werden während der gesamten Laufzeit nicht ausgegeben.

2. Die Übertragung der Optionsscheine erfolgt als Miteigentumsanteile am jeweiligen Inhaber-Sammeloptionsschein gemäß den Regeln der zentralen Wertpapiersammelbank und, außerhalb des Clearinggebietes der zentralen Wertpapiersammelbank, der weiteren Wertpapiersammelbanken gemäß Nr. 1 Ziffer 4 oder im Falle von Nr. 10 Ziffer 3 anderer ausländischer Wertpapiersammelbanken oder Lagerstellen.

Nr. 3
Anpassungen

Bei Aktienindizes als Basiswert einfügen:

1. Der Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sind aus Nr. 1 Ziffer 2 ersichtlich; diese sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine unterliegen der Anpassung gemäß den nachfolgenden Bestimmungen (nachfolgend „Anpassungen“).

[2. Künftige Fortschreibungen in der Berechnung des Basiswertes seitens des maßgeblichen Indexberechners, insbesondere Änderungen in der Zusammensetzung und Gewichtung der im Basiswert berücksichtigten Aktien, Anpassungen der Kurse aufgrund marktunabhängiger Kursveränderungen (z.B. infolge von Kapitalveränderungen oder Dividendenzahlungen) und sonstige systembedingte Bereinigungen führen, soweit nicht die Voraussetzungen von Nr. 3 vorliegen, zu keiner Änderung der Basispreise[bzw. der Knock-Out Schwelle] oder des für die Berechnung des inneren Wertes maßgeblichen Referenzkurses.

3. Eine Anpassung wird nur vorgenommen, wenn aufgrund einer Änderung des angewandten Berechnungsmodus die Berechnung des Basiswertes durch den maßgeblichen Indexberechner am Berechnungstag nicht mehr mit der Berechnung am Tag des ersten Angebotes übereinstimmt. Dies ist insbesondere dann der Fall, wenn eine Neuberechnung des Basiswertes nach dem neuen Berechnungsmodus für den ersten Tag des Angebotes einen Wert ergeben würde, der von dem tatsächlich an diesem Tag festgestellten Wert abweicht, obwohl der Neuberechnung die am ersten Tag des Angebotes festgestellten Aktienkurse zugrundegelegt und die Aktien wie am ersten Tag des Angebotes gewichtet wurden. Änderungen gemäß Nr. 3 Ziffer 2 führen nicht zu einer Anpassung.

4. Die Berechnung der Anpassungen wird durch einen Sachverständigen vorgenommen, der von der Auswahlstelle für Anpassungen gemäß Nr. 1 Ziffer 4 bestimmt wird. Die Anpassungen sind durch den Sachverständigen so zu berechnen, dass die wirtschaftliche Stellung der Optionsscheininhaber trotz der Änderung gemäß Nr. 3 Ziffer 3 möglichst weitgehend unverändert bleibt.

5. Ist der Emittent die Auswahlstelle für Anpassungen gemäß Nr. 1 Ziffer 4, wird er unverzüglich nach Eintreten einer Änderung gemäß Nr. 3 Ziffer 3 einen Sachverständigen benennen und wird diesen unverzüglich mit der Berechnung der Anpassungen für die Optionsscheine beauftragen. Andernfalls wird der Emittent die Auswahlstelle für Anpassungen gemäß Nr. 1 Ziffer 4 auffordern, entsprechend der gegebenenfalls mit dem Emittenten bestehenden Vereinbarung einen Sachverständigen zu benennen und wird diesen unverzüglich mit der Berechnung der Anpassungen beauftragen.

   Der Emittent wird die Notwendigkeit einer Anpassung und die vom Sachverständigen festgelegten Anpassungen gemäß Nr. 7 bekanntmachen.

6. Sollte der Sachverständige zu dem Ergebnis gelangen, dass durch eine Anpassung keine wirtschaftlich sachgerechte Anpassung an die eingetretenen Änderungen möglich ist, wird der Emittent den für die Bestimmung des inneren Wertes maßgeblichen Referenzkurs [bzw. die für den Eintritt eines Knock-Out Ereignisses maßgeblichen Werte des Basiswertes], ausgehend von dem letzten von dem maßgeblichen Indexberechner vor Eintreten der Änderung festgestellten Wert auf der Grundlage des am ersten Tag des Angebotes von dem maßgeblichen Indexberechner angewandten Berechnungsmodus einschließlich der systembedingt vorzunehmenden Fortschreibungen gemäß Nr. 3 Ziffer 2, weiterrechnen.

   Der Emittent wird die Weiterrechnung unverzüglich nach der diesbezüglichen Feststellung des Sachverständigen aufnehmen und dabei auch rückwirkend die bis zum Eintreten der Änderung maßgeblichen Werte des Basiswertes bestimmen.

   Der Emittent wird den Referenzkurs mindestens einmal für jeden Handelstag des Basiswertes errechnen und diesen gemäß Nr. 7 bekanntmachen.

7. Für Optionsrechte, die zwischen dem Tag ausgeübt werden, an dem der Emittent einen Grund zur Anpassung gemäß Nr. 3 feststellt und dem Tag, an dem der Sachverständige dem Emittenten die Anpassungen mitgeteilt oder der Emittent den Referenzkurs des Basiswertes errechnet hat (nachfolgend "Anpassungsperiode" genannt), erfolgt die Zahlung eines etwaigen Auszahlungsbetrages unter Berücksichtigung der vom Sachverständigen festgelegten Anpassungen und dem gegebenenfalls vom Emittenten gemäß Nr. 3 Ziffer 6 errechneten Referenzkurs innerhalb von 5 Bankarbeitstagen nach dem Tag, an dem der Sachverständige dem Emittenten die Anpassungen mitgeteilt hat.

8. Sollte der Basiswert durch den maßgeblichen Indexberechner aufgehoben und durch einen anderen Index ersetzt werden, finden Nr. 3 Ziffer 4 und 5 entsprechend Anwendung. Der Sachverständige wird dementsprechend die auf den neuen Index bezogenen Anpassungen feststellen.

   Sollte die Berechnung des Basiswertes durch den maßgeblichen Indexberechner ersatzlos aufgehoben werden, findet Nr. 3 Ziffer 6 entsprechend Anwendung.

   Sollte der Basiswert in Zukunft nicht mehr durch den maßgeblichen Indexberechner, sondern eine andere Institution unter Fortführung des am ersten Tag des Angebotes von dem maßgeblichen Indexberechner angewandten Berechnungsmodus festgestellt werden, sind die von dieser Institution errechneten Werte des Basiswertes für die Berechnung des inneren Wertes maßgebend. Erfolgt eine Fortführung durch mehrere Institutionen, ist der Emittent zur Bestimmung der maßgeblichen Institution berechtigt.

9. Sollte der Sachverständige feststellen, dass auch eine Weiterrechnung der Werte des Basiswertes durch den Emittenten unmöglich ist, verlieren die Optionsscheine ihre Gültigkeit („vorzeitige Rückzahlung").

10. Der Emittent wird im Fall der vorzeitigen Rückzahlung den angemessenen Marktwert der Optionsscheine nach Absprache mit einem von ihm benannten Sachverständigen feststellen und die Überweisung des angemessenen Marktwertes an die Optionsscheininhaber am Zahltag bei vorzeitiger Rückzahlung über die zentrale Wertpapiersammelbank veranlassen (vorzeitige Rückzahlung). Die zentrale Wertpapiersammelbank wird den angemessenen Marktwert an die bei ihr registrierten Optionsscheininhaber innerhalb von 3 Bankarbeitstagen weiterleiten, nachdem der Emittent den angemessenen Marktwert an die zentrale Wertpapiersammelbank überwiesen hat.

    Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag bei vorzeitiger Rückzahlung möglich sein ("Vorlegungsfrist"), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

    Der Emittent wird die Ungültigkeit der Optionsscheine und den angemessenen Marktwert unverzüglich gemäß Nr. 7 bekanntmachen.

11. Die Berechnung der Anpassungen gemäß Nr. 3 Ziffer 4 sowie die Feststellung gemäß Nr. 3 Ziffer 6 Satz 1 und Nr. 3 Ziffer 9 durch den von der Auswahlstelle für Anpassungen benannten Sachverständigen sind, sofern nicht offensichtliche Fehler vorliegen, für die Optionsscheininhaber und den Emittenten bindend.][*andere Anpassungsbestimmungen*: ###]

Bei Aktien als Basiswert einfügen:

1. Der Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sind aus Nr. 1 Ziffer 2 ersichtlich; diese sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine unterliegen der Anpassung gemäß den nachfolgenden Bestimmungen (nachfolgend „Anpassungen“).

[2. Sofern die maßgebliche Börse nicht in Japan ansässig ist, gelten für Anpassungen die folgenden Bestimmungen:

a) Anpassungen werden [- vorbehaltlich Nr. 3 Ziff. 2 c) -] nur vorgenommen, wenn während des Zeitraums, der am Tag des ersten Angebotes (einschließlich) beginnt und am Berechnungstag (einschließlich) des jeweiligen Optionsscheines endet, durch die Anpassungsbörse eine Anpassung der von ihr ausgegebenen, auf die Aktie der Gesellschaft bezogenen Optionskontrakte vorgenommen oder nur deshalb nicht vorgenommen wird, weil keine auf die Aktie der Gesellschaft bezogenen Optionskontrakte ausstehen.

b) Die Berechnung der Anpassungen wird durch einen von dem Emittenten beauftragten Sachverständigen vorgenommen. Die Anpassungen sind von dem Sachverständigen so zu berechnen, dass sie den von der Anpassungsbörse tatsächlich vorgenommenen Anpassungen der Optionskontrakte weitgehend entsprechen oder - falls eine Anpassung nur deshalb nicht vorgenommen wird, weil an der Anpassungsbörse keine auf die Aktie der Gesellschaft bezogenen Optionskontrakte ausstehen - so nach den Regeln der Anpassungsbörse zu berechnen, dass die wirtschaftliche Stellung des Optionsscheininhabers trotz der Anpassungen möglichst weitgehend unverändert bleibt. Sind nach den Regeln der Anpassungsbörse wegen dieser Maßnahme keine Anpassungen in Bezug auf die Optionskontrakte vorzunehmen, so bleiben die Ausstattungsmerkmale der Optionsscheine unverändert.

Die Anpassungsbörse legt ihrer Entscheidung über die Anpassung der auf die Aktie bezogenen Optionskontrakte ihre Anpassungsregeln in der jeweils gültigen Fassung zugrunde; sie können sich während der Laufzeit der Optionsscheine jederzeit ändern, insbesondere können neue Anpassungsregeln hinzugefügt werden oder bestehende Regeln geändert werden. Weiterhin ist das Regelwerk der Anpassungsbörse nicht abschließend und kann die Ausübung von Ermessensspielräumen oder die Auslegung oder Erweiterung der Anpassungsregeln durch interne oder externe Gremien einschließen. Üblicherweise kommen unter anderem eine Kapitalerhöhung gegen Bareinlage, Ausgabe von Wertpapieren mit Options- oder Wandelrechten auf Aktien, Kapitalerhöhung aus Gesellschaftsmitteln, Ausschüttung von Sonderdividenden, Aktiensplits, Fusion, Liquidation oder Verstaatlichung als Anpassungsereignisse in Betracht.

Für Optionsrechte, die zwischen dem Tag ausgeübt werden, an dem die Anpassungsbörse bzw. der Emittent einen Grund zur Anpassung gemäß Nr. 3 Ziffer 2 feststellt, und dem Tag, an dem der Sachverständige dem Emittenten die Anpassungen mitgeteilt hat (nachfolgend “Anpassungsperiode” genannt), erfolgt die Zahlung eines etwaigen Auszahlungsbetrages unter Berücksichtigung der vom Sachverständigen festgelegten Anpassungen innerhalb von 5 Bankarbeitstagen nach dem Tag, an dem der Sachverständige dem Emittenten die Anpassungen mitgeteilt hat.

c) [Sollte [keine Anpassungsbörse existieren] [oder] [eine Anpassung der Optionsscheine nach billigem Ermessen des Emittenten aus einem Grund erforderlich werden, der keine Anpassung an der Anpassungsbörse nach Maßgabe der vorgenannten Absätze nach sich zieht] [, insbesondere bei Eintreten eines Ereignisses, das einen Verwässerungs- Konzentrations- oder anderen Effekt auf den [Inneren] Wert der [Optionsscheine][oder den Wert der Aktie] hat], so wird der Sachverständige die vorzunehmenden Anpassungen nach billigem Ermessen so bestimmen, dass die wirtschaftliche Stellung des Optionsscheininhabers trotz der Anpassung möglichst weitgehend unverändert bleibt.

d][c]) Der Emittent wird unverzüglich nach der Feststellung der Notwendigkeit einer Anpassung durch die Anpassungsbörse gemäß Nr. 3 Ziffer 2 a) einen Sachverständigen benennen und diesen unverzüglich mit der Berechnung der Anpassungen der Optionsscheine beauftragen.

Der Emittent wird die Notwendigkeit einer Anpassung und die vom Sachverständigen mitgeteilten Anpassungen unverzüglich gemäß Nr. 7 bekanntmachen.

[d][e]) Sollte die Anpassungsbörse auf die Aktie ausstehende Optionskontrakte vorzeitig kündigen oder [-falls keine Optionskontrakte auf die Aktie an der Anpassungsbörse ausstehen -] der Sachverständige zu dem Ergebnis gelangen, dass durch eine Anpassung keine sachgerechte Anpassung an die eingetretenen Änderungen möglich ist, verlieren die Optionsscheine ihre Gültigkeit (einzeln oder zusammen mit Nr. 3 Ziffer 3 j) „vorzeitige Rückzahlung“ genannt).

3. Sofern die maßgebliche Börse in Japan ansässig ist, gelten für Anpassungen die folgenden Bestimmungen[, wobei der Emittent abweichend von den nachfolgenden Bestimmungen jederzeit berechtigt ist, nach billigem Ermessen die Anpassungsregeln der Nr. 3 Ziffer 2 anzuwenden]:

a) Im Falle der Anpassung des Basispreises [bzw. der Knock-Out Schwelle] gemäß Nr. 3 Ziffer 3 wird das bisherige Bezugsverhältnis mit Wirkung zum Zeitpunkt der Anpassung des Basispreises durch Multiplikation mit dem reziproken Wert des gemäß Nr. 3 Ziffer 3 bei der Anpassung des Basispreises [bzw. der Knock-Out Schwelle] angewendeten Quotienten angepasst, wobei auf die dritte Dezimalstelle nach dem Komma auf- bzw. abgerundet wird.

b) Falls die Gesellschaft (i) eine Dividende in Form von Aktien ausschüttet oder Gratisaktien ausgibt oder (ii) ihre ausstehenden Aktien teilt oder zusammenlegt (einschließlich einer Zusammenlegung kraft Gesetzes), wird der Emittent - vorbehaltlich der Regelung in Satz 4 - den Basispreis [bzw. die Knock-Out Schwelle] am Anpassungstag gemäß Satz 2 durch Multiplikation mit einem Quotienten nach folgender Formel anpassen:

$$P = W \cdot \frac{K}{X}$$

P = Angepasster Basispreis [bzw. Knock-Out Schwelle],

W = Basispreis [bzw. Knock-Out Schwelle] vor Anpassung,

K = Anzahl der Aktien unmittelbar vor Eintritt eines der obengenannnten Ereignisse,

X = Anzahl der Aktien unmittelbar nach Eintritt eines der obengenannten Ereignisse.

Anpassungstag ist im Falle der Teilung oder Zusammenlegung von Aktien der auf das Wirksamwerden der Teilung oder Zusammenlegung unmittelbar folgende Bankarbeitstag und im Falle der Ausschüttung einer Dividende in Form von Aktien oder der Ausgabe von Gratisaktien der erste auf den Stichtag gemäß Nr. 3 Ziffer 3 e) (iv) folgende Bankarbeitstag. Sollte in den Fällen der Ausschüttung von Dividende in Form von Aktien oder der Ausgabe von Gratisaktien nach dem auf die Gesellschaft anwendbaren japanischen Recht die Zustimmung der Hauptversammlung oder des Board of Directors vor der rechtswirksamen Gewährung erforderlich sein und diese Zustimmung nach dem Stichtag erteilt werden, ist Anpassungstag der erste auf die Erteilung der Zustimmung folgende Bankarbeitstag; die Anpassung erfolgt in diesem Falle rückwirkend zum ersten auf den Stichtag folgenden Bankarbeitstag.

Falls der Stichtag für die Ausschüttung einer Dividende in Form von Aktien oder von Gratisaktien mit demjenigen für die Einräumung von Rechten gemäß Nr. 3 Ziffer 3 c) zusammenfällt, erfolgt weder eine Anpassung des Basispreises [bzw. der Knock-Out Schwelle] gemäß Nr. 3 Ziffer 3 b) noch des Bezugsverhältnisses gemäß Nr. 3 Ziffer 3a). Stattdessen wird die gesamte Anzahl der Aktien, die aufgrund einer Ausschüttung von Dividende in Form von Aktien oder Gratisaktien auszugeben wären, dem Nenner der in Nr. 3 Ziffer 3 c) niedergelegten Formel hinzugezählt.

c) Falls die Gesellschaft ihren Aktionären Bezugsrechte anbietet, die zum Erwerb von Aktien oder von anderen in Aktien wandel- oder umtauschbaren oder mit Optionsscheinen dafür ausgestatteten Wertpapieren zu einem Bezugs-, Wandel-, Basis- oder anderen Ausgabepreis berechtigten, der am Feststellungstag unter dem Marktpreis der Aktien gemäß der Definition in Nr. 3 Ziffer 3 e) (i) liegt, wird der Emittent den Basispreis [bzw. die Knock-Out Schwelle] durch Multiplikation mit einem Quotienten nach folgender Formel anpassen:

$$P = W \cdot \frac{A + f}{A + a}$$

P und W haben die unter Nr. 3 Ziffer 3 b) angegebene Bedeutung; ferner bedeuten

A = Anzahl der ausgegebenen Aktien, in dem als (i) bezeichneten Fall, an dem dem Stichtag (record date) vorangehenden Tag oder, in dem als (ii) bezeichneten Fall, an dem Tag, der dem Tag vorangeht, an dem die Gesellschaft diesen Preis festsetzt,

f = Anzahl von Aktien, die zum Marktpreis gemäß der Definition in Nr. 3 Ziffer 3 e) (i) unter Einsatz (i) des Gesamterwerbspreises für sämtliche aufgrund der Bezugsrechte angebotenen Aktien oder anderen Wertpapiere bzw. (ii) des Gesamtbetrages, den die Gesellschaft bei Ausübung aller Optionsrechte erhalten würde, erworben werden können, und

a = Anzahl der zum Bezug angebotenen Aktien bzw. derjenigen Aktien, die bei Wandlung, Umtausch oder Ausübung der Optionsrechte der zu beziehenden anderen Wertpapiere ursprünglich auszugeben sind.

Feststellungstag ist der Stichtag gemäß Nr. 3 Ziffer 3 e) (iv) bzw. der Tag, an dem die Gesellschaft den jeweiligen Preis festsetzt, falls dieser Tag nach dem Stichtag liegt. Die Anpassung des Basispreises [bzw. der Knock-Out Schwelle] erfolgt am ersten auf den Feststellungstag folgenden Bankarbeitstag mit Wirkung zum ersten auf den Stichtag gemäß Nr. 3 Ziffer 3 e) (iv) folgenden Bankarbeitstag.

d) Falls die Gesellschaft ihren Aktionären eigene Schuldtitel, Vermögenswerte (ausgenommen reguläre Bar- und Zwischendividenden) oder andere Aktien der Gesellschaft als Stammaktien oder Bezugsrechte dafür (ausgenommen die in Nr. 3 Ziffer 3 c) aufgeführten Rechte) zuwendet, wird der Emittent den Basispreis [bzw. die Knock-Out Schwelle] durch Multiplikation mit einem Quotienten gemäß folgender Formel anpassen:

$$P = W \cdot \frac{(c - b)}{c}$$

Hierbei haben P und W die unter Nr. 3 Ziffer 3 b) angegebene Bedeutung; ferner bedeuten

c = Marktpreis je Aktie gemäß der Definition in Nr. 3 Ziffer 3 e) (iv) an dem für eine derartige Zuwendung maßgeblichen Stichtag, und

b = der auf eine Aktie entfallende Teil der obengenannten Zuwendungen an Schuldtiteln, Vermögenswerten, anderen Aktien oder Rechten mit seinem angemessenen Marktwert, der von dem Emittenten nach billigem Ermessen bestimmt wird.

Die Anpassung erfolgt am ersten Bankarbeitstag, der auf den für die Zuwendung maßgeblichen Stichtag gemäß Nr. 3 Ziffer 3 e) (iv) folgt. Sollte eine solche Zuwendung nach dem auf die Gesellschaft anwendbaren japanischen Recht zu ihrer Wirksamkeit der Zustimmung der Hauptversammlung oder des Board of Directors bedürfen und diese Zustimmung nach dem Stichtag gemäß Nr. 3 Ziffer 3 e) (iv) erteilt werden, erfolgt die Anpassung am ersten auf die Erteilung der Zustimmung folgenden Bankarbeitstag; die Anpassung erfolgt in diesem Falle rückwirkend zum ersten auf den Stichtag folgenden Bankarbeitstag.

e) Im Übrigen unterliegen die vorstehenden Anpassungen den folgenden Bestimmungen:

(i) Als Marktpreis je Aktie an einem bestimmten Tag gilt der an der Wertpapierbörse in Tokyo festgestellte Schlusskurs der Aktie.

(ii) Aktien, die bei der Berechnung der Anpassung des Basispreises [bzw. der Knock-Out Schwelle] nicht ausgegeben sind, werden in dem Umfang als ausgegeben behandelt, in dem der Basispreis [bzw. die Knock-Out Schwelle] bereits zuvor angepasst wurde, um die Ausgabe solcher Aktien oder von in Aktien wandelbaren oder umtauschbaren Wertpapieren oder von Bezugs- oder Optionsrechten auf solche Aktien oder Wertpapiere zu berücksichtigen.

(iii) die Berechnungen der Anpassung des Basispreises erfolgen jeweils auf 1 Yen genau, wobei ab 0,5 Yen aufgerundet wird.

(iv) “Stichtag” ist jeweils der für die Bestimmung der dividenden- oder bezugsberechtigten Aktionäre maßgebliche Tag (record date).

f) Im Fall eines Unternehmenszusammenschlusses oder der Veräußerung von Vermögenswerten der Gesellschaft, durch die ihre ausstehenden Stammaktien nach Gattung oder Art verändert werden, wird der innere Wert gemäß Nr. 1 Ziffer 7 unter Berücksichtigung der Art und des Bezugsverhältnisses für die Aktien, sonstigen Wertpapiere oder Werte so angepasst, dass der Optionsscheininhaber wirtschaftlich nach Möglichkeit so gestellt wird, als hätte sich sein Optionsrecht anstatt auf einen inneren Wert auf den Bezug (Call) bzw. die Abnahme (Put) der Aktie bezogen und als hätte er sein Optionsrecht unmittelbar vor einer solchen Veränderung ausgeübt. Eine derartige Anpassung des inneren Wertes soll so weit wie möglich durch Auslegung der vorhergehenden Bestimmungen über die Anpassung des Basispreises [bzw. der Knock-Out Schwelle] gemäß Nr. 3 Ziffer 3 b) bis d) und des Bezugsverhältnisses gemäß Nr. 3 Ziffer 3 a) erfolgen.

g) Jede Anpassung des Basispreises[, der Knock-Out Schwelle,] des Bezugsverhältnisses gemäß Nr. 3 Ziffer 3 a), jede Neueinteilung oder Veränderung nach Gattung oder Art der Aktien gemäß Nr. 3 Ziffer 3 f) sowie der Tag, an dem die Anpassung, Neueinteilung oder Veränderung wirksam wird, wird der Emittent gemäß Nr. 7 bekanntmachen.

h) Bankarbeitstag im Sinne dieser Nr. 3 Ziffer 3 ist jeder Tag, an dem die Banken in Tokyo für den Geschäftsverkehr geöffnet sind.

i) Für Optionsrechte, die zwischen dem Stichtag und dem Anpassungstag bzw. zwischen dem Stichtag und dem Feststellungstag eines der in Nr. 3 Ziffer 3 b) bis d) und f) beschriebenen Ereignisses ausgeübt werden, gilt Nr. 6 entsprechend.

j) Sollte der Emittent zu dem Ergebnis gelangen, dass durch eine Anpassung gemäß Nr. 3 Ziffer 3 keine sachgerechte Anpassung an die eingetretenen Änderungen möglich ist, verlieren die Optionsscheine ihre Gültigkeit (einzeln oder zusammen mit Nr. 3 Ziffer 2 d) „vorzeitige Rückzahlung“ genannt).

4. Der Emittent wird im Fall der vorzeitigen Rückzahlung den angemessenen Marktwert der Optionsscheine nach Absprache mit einem von ihm benannten Sachverständigen feststellen und die Überweisung des angemessenen Marktwertes an die Optionsscheininhaber am Zahltag bei vorzeitiger Rückzahlung über die zentrale Wertpapiersammelbank veranlassen (vorzeitige Rückzahlung). Die zentrale Wertpapiersammelbank wird den angemessenen Marktwert an die bei ihr registrierten Optionsscheininhaber innerhalb von 3 Bankarbeitstagen weiterleiten, nachdem der Emittent den angemessenen Marktwert an die zentrale Wertpapiersammelbank überwiesen hat.

   Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag bei vorzeitiger Rückzahlung möglich sein (“Vorlegungsfrist”), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

   Der Emittent wird die Ungültigkeit der Optionsscheine und den angemessenen Marktwert unverzüglich gemäß Nr. 7 bekanntmachen.

5. Die Berechnung der Anpassung gemäß Nr. 3 Ziffer 2 durch den vom Emittenten benannten Sachverständigen sowie die Feststellung des angemessenen Marktwertes gemäß Nr. 3

Ziffer 4 sind, sofern nicht offensichtliche Fehler vorliegen, für die Optionsscheininhaber und den Emittenten bindend.][*andere Anpassungsbestimmung*: ###]

Bei Wechselkursen als Basiswert einfügen:

1. Sollte der Basiswert während der Laufzeit der Optionsscheine durch Maßnahmen der Wechselkursreferenzstelle oder Maßnahmen Dritter oder andere in Nr. 3 Ziffer 2 beschriebene Ereignisse verändert werden, ist der Emittent berechtigt, den Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale anzupassen.

[2. Sollte die gesetzliche Währung eines Landes, auf die diese Optionsbedingungen Bezug nehmen, durch eine neue gesetzliche Währung ersetzt werden, so ist der Emittent berechtigt, diese Bezugnahmen durch Bezugnahmen auf die neue gesetzliche Währung zu ersetzen und in der alten gesetzlichen Währung ausgedrückte Beträge zu dem offiziellen Umrechnungskurs in der neuen gesetzlichen Währung auszudrücken.

Sollte die Notierung des Basiswertes durch die Wechselkursreferenzstelle auf die neue gesetzliche Währung umgestellt werden, ist der Emittent berechtigt, die Optionsbedingungen anzupassen.

3. Die Berechnung der angepassten Basispreise[, der angepassten Knock-Out Schwelle] bzw. die Festlegung der Änderungen der sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine wird durch einen vom Emittenten zu benennenden Sachverständigen vorgenommen. Die Anpassung ist durch den Sachverständigen so zu berechnen, dass die wirtschaftliche Stellung der Optionsscheininhaber trotz der Änderung gemäß Nr. 3 Ziffer 1 oder 2 möglichst weitgehend unverändert bleibt.

4. Der Emittent wird unverzüglich nach Eintreten einer Änderung gemäß Nr. 3 Ziffer 1 oder 2 einen Sachverständigen benennen und wird diesen unverzüglich mit der Berechnung der angepassten Basispreise[, der angepassten Knock-Out Schwelle] oder der sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine beauftragen.

   Der Emittent wird die Notwendigkeit einer Anpassung und die vom Sachverständigen festgelegte Anpassung unverzüglich gemäß Nr. 7 bekanntmachen.

5. Sollte der Sachverständige zu dem Ergebnis gelangen, dass durch eine Anpassung der Basispreise[, der Knock-out Schwelle] oder der sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine keine wirtschaftlich sachgerechte Anpassung an die eingetretenen Änderungen möglich ist, verlieren die Optionsscheine ihre Gültigkeit („vorzeitige Rückzahlung“).

6. Sollte der Basiswert in Zukunft nicht mehr durch die Wechselkursreferenzstelle, sondern eine andere Institution unter Fortführung des am Tag des ersten Angebotes von diesen angewandten Konzeptes festgestellt werden, sind die von dieser Institution errechneten Werte des Basiswertes für die Berechnung des Auszahlungsbetrages [oder eines Knock-Out Ereignisses] maßgebend. Erfolgt eine Fortführung durch mehrere Institutionen, ist der Emittent zur Bestimmung der maßgeblichen Institution berechtigt. Sollte die Feststellung des Basiswertes in Zukunft durch Wechselkursreferenzstelle eingestellt werden, so ist der Emittent berechtigt, diese durch eine andere geeignete Institution zu ersetzen. Sollte eine Ersatzinstitution nicht zur Verfügung stehen, gilt Nr. 6 entsprechend.

7. Der Emittent wird im Fall der vorzeitigen Rückzahlung den angemessenen Marktwert der Optionsscheine nach Ab-

sprache mit einem von ihm benannten Sachverständigen feststellen und die Überweisung des angemessenen Marktwertes an die Optionsscheininhaber am Zahltag bei vorzeitiger Rückzahlung über die zentrale Wertpapiersammelbank veranlassen (vorzeitige Rückzahlung). Die zentrale Wertpapiersammelbank wird den angemessenen Marktwert an die bei ihr registrierten Optionsscheininhaber innerhalb von 3 Bankarbeitstagen weiterleiten, nachdem der Emittent den angemessenen Marktwert an die zentrale Wertpapiersammelbank überwiesen hat.

Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag bei vorzeitiger Rückzahlung möglich sein ("Vorlegungsfrist"), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

Der Emittent wird die Ungültigkeit der Optionsscheine und den angemessenen Marktwert unverzüglich gemäß Nr. 7 bekanntmachen.

8. Die Berechnung der Anpassung gemäß Nr. 3 Ziffer 1 bzw. Ziffer 2 sowie die Feststellung des angemessenen Marktwertes gemäß Nr. 3 Ziffer 7 durch den von dem Emittenten benannten Sachverständigen sind, sofern nicht offensichtliche Fehler vorliegen, für die Optionsscheininhaber und den Emittenten bindend.][*andere Anpassungsbestimmung*: ###]

Bei Futures-Kontrakten als Basiswert einfügen:

1. Der Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sind aus Nr. 1 Ziffer 2 ersichtlich; diese sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine unterliegen der Anpassung gemäß den nachfolgenden Bestimmungen (nachfolgend „Anpassungen").

[2. Der Future-Kontrakt wird jeweils [*Zeitpunkt der Ersetzung*: ###] mit Wirkung zum Beginn des [*Zeitpunkt des Wirksamwerdens der Ersetzung*: ###] durch einen Futures-Kontrakt mit den gleichen Kontraktspezifikationen ersetzt, wobei der Verfalltermin des neuen maßgeblichen Future-Kontraktes [*Spezifikation des Verfallstermins*: ###] entspricht. Der Basispreis wird jeweils [*Zeitpunkt der Anpassung*: ###] mit Wirkung zum Beginn des [*Zeitpunkt des Wirksamwerdens der Anpassung*: ###] angepaßt. Die Anpassung erfolgt derart, daß sich der bisherige maßgebliche Basispreis um die absolute Differenz ermäßigt (bzw. erhöht), um die der für den letzten Handelstag festgestellte Abrechnungskurs des bisher maßgeblichen Future-Kontraktes den Abrechnungskurs des nunmehr maßgeblichen Future-Kontraktes überschreitet (bzw. unterschreitet).

3. Wenn während der Laufzeit der Optionsscheine das dem Future-Kontrakt zugrundeliegende Konzept so grundlegend verändert wird, daß nach Auffassung des Emittenten eine Vergleichbarkeit mit dem bisherigen Konzept nicht mehr gegeben ist, oder der Handel mit den Future-Kontrakten an der maßgeblichen Börse endgültig eingestellt wird, wird ein von dem Emittenten beauftragter Sachverständiger vom Tage des Eintritts der Änderungen an für jeden Geschäftstag der maßgeblichen Börse einen fiktiven täglichen Abrechnungspreis festlegen. Diese Festlegung erfolgt auf der Grundlage des Berechnungsverfahrens, das derzeit zur Bestimmung des theoretischen Kontraktwertes (fair value) des Future-Kontrakte angewendet wird.

Im Falle der Festlegung eines fiktiven täglichen Abrechnungspreises gilt dieser als täglicher Abrechnungspreis im Sinne dieser Optionsbedingungen.

4. Sollte der Sachverständige feststellen, daß eine Weiterberechnung des Wertes des Futures-Kontraktes unmöglich ist, verlieren die Optionsscheine ihre Gültigkeit („vorzeitige Rückzahlung“).

5. Der Emittent wird im Fall der vorzeitigen Rückzahlung den angemessenen Marktwert der Optionsscheine nach Absprache mit einem von ihm benannten Sachverständigen feststellen und die Überweisung des angemessenen Marktwertes an die Optionsscheininhaber am Zahltag bei vorzeitiger Rückzahlung über die zentrale Wertpapiersammelbank veranlassen (vorzeitige Rückzahlung). Die zentrale Wertpapiersammelbank wird den angemessenen Marktwert an die bei ihr registrierten Optionsscheininhaber innerhalb von 3 Bankarbeitstagen weiterleiten, nachdem der Emittent den angemessenen Marktwert an die zentrale Wertpapiersammelbank überwiesen hat.

   Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag bei vorzeitiger Rückzahlung möglich sein (“Vorlegungsfrist”), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

   Der Emittent wird die Ungültigkeit der Optionsscheine und den angemessenen Marktwert unverzüglich gemäß Nr. 7 bekanntmachen.

6. Die Berechnung des angepaßten Basispreises gemäß Nr. 3 Ziffer 2 sowie die Feststellungen gemäß Nr. 3 Ziffer 3 bis 5 durch den vom Emittenten genannten Sachverständigen sind, sofern nicht offensichtliche Fehler vorliegen, für die Optionsscheininhaber und den Emittenten bindend.][*andere Anpassungsbestimmungen*: ###]

Bei Rohstoffen als Basiswert einfügen:

1. Der Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sind aus Nr. 1 Ziffer 2 ersichtlich; diese sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine unterliegen der Anpassung gemäß den nachfolgenden Bestimmungen (nachfolgend „Anpassungen“).

[2. Veränderungen in der Art und Weise der Berechnung des Referenzkurses bzw. anderer gemäß diesen Optionsscheinbedingungen maßgeblicher Kurse oder Preise für den Basiswert, einschließlich der Veränderung der für den Basiswert maßgeblichen Handelstage und Handelsstunden am Referenzmarkt berechtigen die Emittentin, die Ausstattungsmerkmale der Optionsscheine entsprechend anzupassen.] [*andere Anpassungs-bestimmung*: ###]

Bei Körben als Basiswert einfügen:

1. Der Basispreis[, die Knock-Out Schwelle] bzw. das Bezugsverhältnis sind aus Nr. 1 Ziffer 2 ersichtlich; diese sowie die sonstigen für die Berechnung des Auszahlungsbetrages maßgeblichen Ausstattungsmerkmale der Optionsscheine unterliegen der Anpassung gemäß den nachfolgenden Bestimmungen (nachfolgend „Anpassungen“).

[2. Sollte [hinsichtlich eines Korbbestandteils ein Ereignis eintreten, dass die wirtschaftliche Kontinuität des Kursverlaufs des betreffenden Korbbestandteils beeinflußt bzw. dass gemäß den oben stehenden Bestimmungen hinsichtlich eines Korbbestandesteiles ein eine Anpassung auslösendes Ereignis darstellen würde, ist die Emittentin berechtigt, den Gewichtungsfaktor des betroffenen Korbbestandteils bzw. andere Ausstattungsmerkmale der Optionsscheine anzupassen. Die Anpassung der Ausstattungsmerkmale der Optionsscheine hat mit dem Ziel zu erfolgen, den wirtschaftlichen Wert der Optionsscheine in der Höhe zu erhalten, den diese vor dem die Anpassungen auslösenden Ereignis hatten.][*andere Anpassungsbestimmung*: ###]

Nr. 4
Verkaufsbeschränkungen

1. Eine Registrierung der Optionsscheine unter dem "United States Securities Act" von 1933 in der jeweiligen Fassung erfolgt nicht; der Handel in den Optionsscheinen ist nicht von der "United States Commodity Futures Trading Commission" ("CFTC") unter dem "United States Commodity Exchange Act" zugelassen. Die Optionsscheine dürfen zu keinem Zeitpunkt direkt oder indirekt in den Vereinigten Staaten von Amerika, ihren Territorien oder Besitzungen oder an oder durch U.S. Personen angeboten, verkauft oder ausgeliefert werden. Bei Ausübung der Optionsrechte sind die Optionsscheininhaber verpflichtet zu versichern, dass die Optionsscheine weder direkt noch indirekt für eine U.S. Person gehalten werden.

   Der Emittent ist nicht bei der CFTC als Makler ("commission merchant") registriert. Mit Kauf und Annahme der Optionsscheine versichert der Optionsscheininhaber, dass er keine United States-Person wie nachstehend definiert ist und dass er, sollte er in Zukunft unter die Definition einer United States Person fallen, die Optionsscheine noch vorher verkaufen wird; der Optionsscheininhaber sichert weiterhin zu, dass er die Optionsscheine zu keinem Zeitpunkt in den Vereinigten Staaten direkt oder indirekt angeboten, verkauft oder gehandelt hat und dies auch in Zukunft nicht tun wird; der Optionsscheininhaber sichert außerdem zu, (a) dass er die Optionsscheine zu keinem Zeitpunkt einer United States Person direkt oder indirekt angeboten, verkauft oder mit einer solchen gehandelt hat und dass er dies auch in Zukunft (weder für sich noch für Dritte) tun wird und (b) dass er die Optionsscheine nicht für Rechnung einer United States Person gekauft hat. Der Optionsscheininhaber verpflichtet sich, bei einem Verkauf der Optionsscheine dem Käufer diese Verkaufsbeschränkungen - einschließlich nachfolgender Erläuterungen - auszuhändigen oder den Käufer auf diese Verkaufsbeschränkungen schriftlich hinzuweisen.

   Es gelten folgende Definitionen: "Vereinigte Staaten" bedeuten die Vereinigten Staaten von Amerika (einschließlich deren Staaten, des "District of Columbia", sowie der Territorien, Besitzungen und sonstigen Gebiete unter deren Jurisdiktion); "United States Person" bedeutet Bürger oder Gebietsansässiger der Vereinigten Staaten von Amerika sowie Kapital- und Personengesellschaften oder sonstige nach dem Recht der Vereinigten Staaten von Amerika oder einer ihrer Gebietskörperschaften begründete oder organisierte Gesellschaften sowie Erbschafts- oder Treuhandvermögen, die unabhängig von der Quelle ihrer Einkünfte der Besteuerung der Vereinigten Staaten von Amerika unterliegen.

2. Bei jeder Tätigkeit im Zusammenhang mit Citigroup Optionsscheinen/Zertifikaten oder anderen derivaten Produkten im Vereinigten Königreich müssen alle anwendbaren Bestimmungen des "Financial Services and Markets Act 2000 (nachfolgend "FSMA")" beachtet werden. Jede Verbreitung von Angeboten oder von Anreizen zur Aufnahme einer Investment Aktivität i.S.v. Paragraph 21 der FSMA darf im Zusammenhang mit der Emission oder dem Verkauf von Optionsscheinen/Zertifikaten oder anderen derivativen Produkten nur in solchen Fällen vorgenommen

oder veranlasst werden, in denen Paragraph 21 der FSMA nicht anwendbar ist.

3. Bei jeder Tätigkeit im Zusammenhang mit den Optionsscheinen, insbesondere deren Erwerb oder Verkauf bzw. der Ausübung der Optionsrechte aus den Optionsscheinen sind durch die Optionsscheininhaber sowie jeden anderen beteiligten Marktteilnehmer die in dem jeweiligen Land geltenden gesetzlichen Bestimmungen zu beachten. Üblicherweise darf ein öffentliches Angebot der Optionsscheine nur erfolgen, wenn zuvor ein den gesetzlichen Bestimmungen des Landes, in dem das öffentliche Angebot erfolgt, entsprechender Verkaufsprospekt bzw. Börsenprospekt von der zuständigen Behörde genehmigt und veröffentlicht wurde. Die Veröffentlichung muss üblicherweise durch die Person erfolgen, die ein entsprechendes Angebot in der betreffenden Jurisdiktion unterbreitet. Optionsscheininhaber bzw. an einem Erwerb interessierte Personen sind daher gehalten, sich über die diesbezüglichen gesetzlichen Bestimmungen jederzeit zu informieren und sie zu beachten.

Nr. 5
Ausübung der Optionsrechte

Bei europäischer Ausübung einfügen:

[1. Das Optionsrecht kann von dem Optionsscheininhaber ausschließlich mit Wirkung zum Verfalltag des jeweiligen Optionsscheines ausgeübt werden.

Sofern der Auszahlungsbetrag einen positiven Wert ergibt, gilt das Optionsrecht des jeweiligen Optionsscheines ohne weitere Voraussetzung und ohne die Abgabe einer ausdrücklichen Ausübungserklärung als am Verfalltag ausgeübt (nachfolgend "automatische Ausübung" genannt).

2. Der Emittent wird einen etwaigen positiven Auszahlungsbetrag am Zahltag bei Verfall an die zentrale Wertpapiersammelbank zur Gutschrift an die bei der zentralen Wertpapiersammelbank am vorherigen Bankarbeitstag am Sitz der zentralen Wertpapiersammelbank bei Geschäftsschluss registrierten Optionsscheininhaber überweisen.

3. Die zentrale Wertpapiersammelbank hat sich gegenüber dem Emittenten zu einer entsprechenden Weiterleitung verpflichtet.

Sollte die Weiterleitung des Auszahlungsbetrages oder des angemessenen Marktwertes nicht innerhalb von drei Monaten nach dem Zahltag bei Verfall möglich sein ("Vorlegungsfrist"), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

4. Alle im Zusammenhang mit der Zahlung des Auszahlungsbetrages und des angemessenen Marktwertes etwa anfallenden Steuern oder sonstigen Abgaben sind vom Optionsscheininhaber zu tragen.

5. Fällt der Verfalltag zwischen den Tag, an dem der Emittent einen Grund zur Anpassung gemäß Nr. 3 feststellt und vor den Tag, an dem der Sachverständige dem Emittenten die Anpassungen mitgeteilt hat (nachfolgend „Anpassungsperiode“), ist Zahltag bei Verfall der erste auf den Tag folgende gemeinsame Bankarbeitstag am Sitz des Emittenten sowie am Ort der zentralen Wertpapiersammelbank, an dem der Sachverständige dem Emittenten die Anpassungen für den Verfalltag mitgeteilt hat. Erfolgt eine

Weiterrechnung des Basiswertes durch den Emittenten, ist Zahltag bei Verfall der erste Bankarbeitstag in Frankfurt am Main, an dem der Emittent den für den Verfalltag maßgeblichen Referenzkurs des Basiswertes errechnet hat. Für die Berechnung des Auszahlungsbetrages gemäß Nr. 1 Ziffer 6 sind der am Verfalltag maßgebliche Referenzkurs des Basiswertes sowie die vom Sachverständigen vorgenommenen Anpassungen maßgeblich.

6. Auszahlungsbetrag bzw. angemessener Marktwert werden in frei konvertierbarer und verfügbarer gesetzlicher Währung der Bundesrepublik Deutschland gezahlt, ohne dass der Emittent zur Abgabe irgendwelcher Erklärungen verpflichtet ist.][*andere Ausübungsbestimmungen*: ###]

Bei amerikanischer Ausübung einfügen:

[1. Zur wirksamen Einlösung der Optionsscheine muß der Optionsscheininhaber des jeweiligen Optionsscheines die nachstehend genannten Voraussetzungen gegenüber der jeweiligen Einlösungsstelle erfüllen. Zusätzlich gelten die Bestimmungen in Ziffern 2 bis 4.

a) Bei Einlösung der Optionsrechte gegenüber der Einlösungsstelle in ###### muß der Optionsscheininhaber ######
b) Bei Einlösung der Optionsrechte gegenüber der Einlösungsstelle in ###### muß der Optionsscheininhaber ######
c) Bei Einlösung der Optionsrechte gegenüber der Einlösungsstelle in ###### muß der Optionsscheininhaber ######
d) Bei Einlösung der Optionsrechte gegenüber der Einlösungsstelle in ###### muß der Optionsscheininhaber ######

2. Die Einlösungserklärung wird am Einlösungstag gemäß Nr. 1 Ziffer 5 wirksam.

Ein Widerruf der Einlösungserklärung ist auch vor Wirksamwerden der Erklärung ausgeschlossen.

Sämtliche in Nr. 5 Ziffer 1 genannten Voraussetzungen sind innerhalb von 15 Bankarbeitstagen nach dem Eintreten der ersten Voraussetzung zu erfüllen. Andernfalls ist der Emittent berechtigt, dem Optionsscheininhaber bereits vorgenommene Leistungen auf seine Gefahr und Kosten zinslos zurückzugewähren; die Einlösungserklärung wird in diesem Fall nicht wirksam.

3. Alle im Zusammenhang mit der Einlösung der Optionsscheine etwa anfallenden Steuern oder sonstigen Abgaben sind vom Optionsscheininhaber zu tragen.

Der Einlösungsbetrag wird in frei konvertierbarer, gesetzlicher Währung der Bundesrepublik Deutschland gezahlt, ohne daß der Emittent oder die Einlösungsstelle zur Abgabe irgendwelcher Erklärungen verpflichtet ist.

4. Der Emittent wird einen eventuellen Einlösungsbetrag am Zahltag bei Einlösung an die Zentrale Wertpapiersammelbank zur Gutschrift an die bei der Zentralen Wertpapiersammelbank am vorangegangenen Bankarbeitstag am Sitz der Zentralen Wertpapiersammelbank bei Geschäftsschluß registrierten Optionsscheininhaber überweisen.

Die Zentrale Wertpapiersammelbank hat sich gegenüber dem Emittenten zu einer entsprechenden Weiterleitung verpflichtet.][*andere Einlösungsbestimmungen*: ###]

Nr. 6
Marktstörungen / Konvertabilitätsstörungen

1. Sollte es an einem Berechnungstag [hinsichtlich eines oder mehrerer Korbbestandteile] zu Marktstörungen kommen, [ist Berechnungstag im Sinne dieser Optionsbedingungen der nächstfolgende Bankarbeitstag, der die Kriterien für einen Berechnungstag gemäß Nr. 1 Ziffer 4 erfüllt, und an dem die Marktstörungen nicht mehr vorliegen. Sollten die Marktstörungen länger als [5][###] Bankarbeitstage die die Kriterien für einen Berechnungstag gemäß Nr. 1 Ziffer 4 erfüllen, nach dem jeweiligen Berechnungstag andauern, ist der Emittent berechtigt den Auszahlungsbetrag auf der Basis des letzten festgestellten Referenzkurses des Basiswertes zu berechnen.] [Sollte ein nicht von dem Emittenten zu vertretender Umstand eintreten, der es verhindert oder unzumutbar macht, daß der Emittent (i) mittels marktüblicher und legaler Transaktionen am Devisenmarkt die Referenzwährung des Basiswerts in die Auszahlungswährung der Optionsscheine konvertiert oder (ii) in der Referenzwährung des Basiswerts gehaltene Einlagen nicht aus einer bestimmten Jurisdiktion in eine andere transferieren kann, oder (iii) sollten sonstige von dem Emittenten nicht zu vertretende Umstände eintreten, die auf die Konvertabilität der Referenzwährung des Basiswerts in die Auszahlungswährung der Optionsscheine einen vergleichbaren negativen Einfluß haben, und sollte der Emittent nach Beratung mit einem von ihm benannten Sachverständigen zu dem Ergebnis gelangen, daß eine Umrechnung der Referenzwährung des Basiswerts in die Auszahlungswährung der Optionsscheine nicht möglich ist, verlieren die Optionsscheine ihre Gültigkeit ("vorzeitige Rückzahlung"). Der Emittent wird im Fall der vorzeitigen Rückzahlung den angemessenen Marktwert der Optionsscheine nach Absprache mit einem von ihm benannten Sachverständigen unter Berücksichtigung der die vorzeitige Rückzahlung auslösenden Umstände feststellen und die Überweisung des angemessenen Marktwertes an die Optionsscheininhaber am Zahltag bei vorzeitiger Rückzahlung über die zentrale Wertpapiersammelbank veranlassen (vorzeitige Rückzahlung). Die zentrale Wertpapiersammelbank wird den angemessenen Marktwert an die bei ihr registrierten Optionsscheininhaber innerhalb von 3 Bankarbeitstagen weiterleiten, nachdem der Emittent den angemessenen Marktwert an die zentrale Wertpapiersammelbank überwiesen hat.

   Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag bei vorzeitiger Rückzahlung möglich sein ("Vorlegungsfrist"), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.

   Der Emittent wird die Ungültigkeit der Optionsscheine und den angemessenen Marktwert unverzüglich gemäß Nr. 7 bekanntmachen.] [*andere Marktstörungs-/ Konvertabilitätsstörungsbestimmung*: ######]

2.

Bei Aktienindizes als Basiswert einfügen:

[Marktstörungen im Sinne dieser Optionsbedingungen sind die Aussetzung oder die erhebliche Einschränkung des Handels von einer wesentlichen Zahl der im Basiswert enthaltenen, an der oder den betreffenden Börsen gehandelten, Aktien oder von an den Terminbörsen gemäß Nr. 1 Ziffer 4 gehandelten und auf den Basiswert bezogenen Optionen oder Terminkontrakten oder von auf diese bezogene Optionen. Marktstörungen liegen ferner vor, wenn eine Feststellung des Basiswertes aufgrund anderer als der in Nr. 3 aufgeführten Ereignisse nicht erfolgt.

Als Marktstörung im Sinne dieser Optionsbedingungen gilt jedoch nicht eine Einschränkung der Handelsstunden und Handelstage, soweit diese auf einer angekündigten Änderung der regulären Handelszeiten der betreffenden Börse beruhen oder ein Auslaufen des Handels in dem betreffenden Kontrakt.][*andere Marktstörungsdefinition*: ###]

Bei Aktien als Basiswert einfügen:

[Marktstörungen im Sinne dieser Optionsbedingungen sind die Aussetzung oder erhebliche Einschränkung des Handels von Aktien der jeweiligen Gesellschaft an der maßgeblichen Börse für den Basiswert oder von an der Anpassungsbörse - bzw. im Falle von Basiswerten, die an einer US-amerikanischen Börse notiert werden, dem Chicago Board of Trade oder der Chicago Board of Options Exchange - gehandelten, auf die Aktien der Gesellschaft bezogenen Optionen, Terminkontrakten oder Futures-Geschäften oder von einer wesentlichen Zahl der an der maßgeblichen Börse für den Basiswert gehandelten sonstigen Aktien oder von darauf bezogenen, an einer anderen Börse gehandelten Optionen, Terminkontrakten oder Futures-Geschäften. Marktstörungen liegen ferner vor, wenn eine Feststellung des Referenzkurses des Basiswertes an der maßgeblichen Börse aufgrund anderer als der in Nr. 3 aufgeführten Ereignisse nicht erfolgt.

Als Marktstörung im Sinne dieser Optionsbedingungen gilt jedoch nicht eine Einschränkung der Handelsstunden und Handelstage, soweit diese auf einer angekündigten Änderung der regulären Handelszeiten der betreffenden Börse beruhen oder ein Auslaufen des Handels in dem betreffenden Kontrakt.][*andere Marktstörungsdefinition*: ###]

Bei Wechselkursen als Basiswert einfügen:

[Marktstörungen im Sinne dieser Optionsbedingungen liegen vor, wenn eine Feststellung der Geld- und Briefkurse des Basiswertes oder der Geld- und Briefkurse der Wechselkurse, aus denen der Referenzkurs des Basiswertes errechnet wird, von der Wechselkursreferenzstelle nicht erfolgt.][*andere Marktstörungsdefinition*: ###]

Bei Futures-Kontrakten als Basiswert einfügen:

[Marktstörungen im Sinne dieser Optionsbedingungen sind die Aussetzung oder die erhebliche Einschränkung des Handels im maßgeblichen Future-Kontrakt.

Marktstörungen liegen ferner vor, wenn eine Feststellung des Abrechnungskurses des Future-Kontraktes aufgrund anderer als der in Nr. 3 genannten Gründe nicht erfolgt.

Als Marktstörung im Sinne dieser Optionsbedingungen gilt jedoch nicht eine Einschränkung der Handelsstunden und Handelstage, soweit diese auf einer angekündigten Änderung der regulären Handelszeiten der betreffenden Börse beruhen oder ein Auslaufen des Handels in dem betreffenden Kontrakt.][*andere Marktstörungsdefinition*: ###]

Bei Rohstoffen als Basiswert einfügen:

[Marktstörungen im Sinne dieser Optionsbedingungen sind die Aussetzung oder erhebliche Einschränkung des Handels an dem Referenzmarkt allgemein oder in dem Rohstoff an dem Referenzmarkt oder in Termin- oder Optionskontrakten mit Bezug auf den Rohstoff an einer Terminbörse, an der ein solcher Rohstoff gehandelt wird.

Eine Einschränkung der Handelszeit oder der Handelstage an dem Referenzmarkt gilt nicht als Marktstörung, wenn sie auf eine angekündigte Änderung der regelmäßigen Geschäftsstunden des Referenzmarktes zurückzuführen ist.] [*andere Marktstörungsdefinition*: ###]

Bei Open End Optionsscheinen und anderen kündbaren Optionsscheinen einfügen:

[Nr. 6a
Kündigung

[1. Der Emittent ist berechtigt

[, insbesondere [sofern die Erfüllung seiner Verpflichtungen aus den Optionsscheinen ganz oder teilweise – gleich aus welchem Grund – [rechtswidrig oder] undurchführbar oder bei wirtschaftlicher Betrachtungsweise unzumutbar wird oder geworden ist] [oder] [sofern die Aufrechterhaltung seiner Hedge-Positionen – gleich aus welchem Grund – [rechtswidrig oder] undurchführbar oder bei wirtschaftlicher Betrachtungsweise unzumutbar wird oder geworden ist, insbesondere weil die zugrunde liegenden Finanzinstrumente auslaufen, gekündigt werden oder aus anderen Gründen entfallen] [ohne das Vorliegen weiterer Voraussetzungen],

sämtliche Optionsscheine einer Serie mit einer Ankündigungsfrist von ###### Wochen zu kündigen. [Die Kündigung kann erstmals mit Wirkung zum ##.##.#### erfolgen.] Die Kündigung wird vom Emittenten gemäß Nr. 7 bekanntgemacht.

2. Im Falle der Kündigung durch den Emittenten finden Nr. 5 Ziffern 1 bis 4 keine Anwendung. Einlösungstag im Sinne der Nr. 1 Ziffer 5 ist in diesem Fall der Tag, an dem die Kündigung wirksam wird; Zahltag ist der Zahltag bei Kündigung gemäß Nr. 1 Ziffer 5.

3. Der Emittent wird in diesem Fall für alle von der Kündigung betroffenen Optionsscheine den Einlösungsbetrag am ersten auf den Einlösungstag folgenden Bankarbeitstag in Frankfurt am Main an die Zentrale Wertpapiersammelbank zur Gutschrift an die bei der Zentralen Wertpapiersammelbank am zweiten Bankarbeitstag in Frankfurt am Main nach dem Einlösungstag (nachfolgend „Zahltag bei Kündingung“ genannt) registrierten Optionsscheininhaber überweisen.

Die Zentrale Wertpapiersammelbank hat sich gegenüber dem Emittenten zu einer entsprechenden Weiterleitung verpflichtet.

Sollte die Weiterleitung nicht innerhalb von drei Monaten nach dem Zahltag möglich sein („Vorlegungsfrist“), ist der Emittent berechtigt, die entsprechenden Beträge beim Amtsgericht in Frankfurt am Main für die Optionsscheininhaber auf deren Gefahr und Kosten unter Verzicht auf das Recht zur Rücknahme zu hinterlegen. Mit der Hinterlegung erlöschen die Ansprüche der Optionsscheininhaber gegen den Emittenten.][*andere Kündigungsbestimmungen*: ###]

Nr. 7
Bekanntmachungen

[Sofern die der zum jeweiligen Zeitpunkt in den Ländern, in denen die Optionsscheine öffentlich angeboten bzw. börsennotiert werden, einschlägigen gesetzlichen Bestimmungen nichts anderes vorschreiben, erfolgt die Veröffentlichung in einer oder mehreren Zeitungen, die in den Staaten, in denen das öffentliche Angebot unterbreitet oder die Zulassung zum Börsenhandel angestrebt bzw. betrieben wird, gängig sind oder in großer Auflage verlegt werden. Zur Rechtswirksamkeit ist die Veröffentlichung in einer dieser Zeitungen ausreichend. Der Emittent ist berechtigt, Bekanntmachungen statt in den genannten Zeitungen auf seiner Website zu veröffentlichen. Der Emittent wird eine solche Änderung des Veröffentlichungsmediums in einer der genannten Zeitungen bekanntmachen.][*andere Bekanntmachungsbestimmung*: ###]

Nr. 8
Anwendbares Recht, Gerichtsstand

1. Die Optionsscheine sowie die sich daraus ergebenden Rechte und Pflichten unterliegen dem Recht der Bundesrepublik Deutschland.

2. Gerichtsstand für alle Streitigkeiten ist für Kaufleute, juristische Personen des öffentlichen Rechts, öffentlich-rechtliche Sondervermögen und Personen ohne allgemeinen Gerichtsstand in der Bundesrepublik Deutschland Frankfurt am Main. Der Gerichtsstand Frankfurt am Main ist für alle Klagen gegen den Emittenten ausschließlich.

Nr. 9
Status der Optionsscheine,
Verschiebung der Fälligkeit

3. Die Optionsscheine begründen allgemeine, unmittelbare und unbesicherte vertragliche Verbindlichkeiten des Emittenten, die untereinander und mit den sonstigen bestehenden, unbesicherten und nicht-nachrangigen Verbindlichkeiten des Emittenten gleichrangig sind (ausgenommen solcher Verbindlichkeiten, denen kraft Gesetzes Vorrang zukommt).

4. Sollte die Citigroup Global Markets Deutschland AG & Co. KGaA oder die jeweilige Zahlstelle tatsächlich oder rechtlich nicht in der Lage sein, ihre Verbindlichkeiten aus den Optionsscheinen in rechtlich zulässiger Weise in Frankfurt am Main bzw. am Ort der jeweiligen Zahlstelle zu erfüllen, verschiebt sich die Fälligkeit dieser Verbindlichkeiten bis zu dem Zeitpunkt, zu dem es der Citigroup Global Markets Deutschland AG & Co. KGaA bzw. der jeweiligen Zahlstelle tatsächlich und rechtlich wieder möglich ist, ihre Verbindlichkeiten in Frankfurt am Main bzw. am Ort der Zahlstelle zu erfüllen. Den Optionsscheininhabern stehen aufgrund einer solchen Verschiebung der Fälligkeit keine Rechte gegen das in Frankfurt am Main oder sonstwo belegene Vermögen der Citigroup Global Markets Deutschland AG & Co. KGaA bzw. der Zahlstelle zu.

3. Der Emittent wird den Eintritt und den Wegfall eines in Nr. 9 Ziffer 2 beschriebenen Ereignisses unverzüglich gemäß Nr. 7 bekannt machen.

Nr. 10
Sonstige Bestimmungen

1. Sollte eine der Bestimmungen dieser Optionsbedingungen ganz oder teilweise unwirksam oder undurchführbar sein, so berührt dies nicht die Wirksamkeit der übrigen Bestimmungen. Die unwirksame oder undurchführbare Bestimmung ist durch eine wirksame und durchführbare Regelung zu ersetzen, die dem wirtschaftlich beabsichtigten Zweck möglichst nahe kommt.

2. Diese Optionsbedingungen sind in den Geschäftsräumen des Emittenten bzw. der Zahlstellen erhältlich und werden den Optionsscheininhabern jederzeit auf Wunsch zugesandt.

3. Der Emittent behält sich vor, die Optionsscheine insgesamt, oder einzelne Serien, auch in den Handel an anderen, auch ausländischen Wertpapierbörsen einzuführen sowie die Optionsscheine im Ausland öffentlich anzubieten und in diesem Zusammenhang alle Maßnahmen zu ergreifen, die für die Einführung der Optionsscheine in den Handel an der jeweiligen Börse bzw. ein öffentliches Angebot erforderlich sind. Der Emittent ist hierbei insbesondere berechtigt, dem Optionsscheininhaber die Ausübung der Optionsscheine auch gegenüber einer ausländischen Zahlstelle zu gestatten, den Auszahlungsbetrag in anderer Währung auszuzahlen sowie die Notierung der Optionsscheine in anderer Währung zu beantragen.

Frankfurt am Main, den ##.##.####

Citigroup Global Markets Deutschland AG & Co. KGaA

Frankfurt am Main, 14 October 2008

Citigroup Global Markets Deutschland AG & Co. KGaA

gez. Martina Conrad, Director