

## Final Terms dated 1 October 2008

### Citigroup Funding Inc.

Issue of up to 100,000 (being the equivalent of EUR 100,000,000) 5.40 per cent. Notes  
due 7 November 2012

Guaranteed by Citigroup Inc.

Under the U.S.\$30,000,000,000 Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by this Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (b) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (a) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (b) in the Public Offer Jurisdiction mentioned in Paragraph 55 of Part A below, provided such person is one of the persons mentioned in Paragraph 55 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

None of the Issuer, the Guarantor and any Dealer has authorised, nor do any of them authorise, the making of any offer of Notes in any other circumstances.

The Notes and the Deed of Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or, in the case of bearer Notes, delivered within the United States or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), except in certain transactions exempt from the registration requirements of the Securities Act. For a description of certain restrictions on offers and sales of Notes, see "*Plan of Distribution*" in the Prospectus.

**This Final Terms was executed in the English language. A non-binding translation into the German language will also be available. In the event that any discrepancy arises between the English version of this Final Terms and the non-binding translation into German hereof, the English version will prevail.**

**Certain material may be produced in connection with the placement of the Notes described herein which may refer to the Notes as "Certificates" (*Zertifikate*). Where the term "Certificates" (*Zertifikate*) is being used in connection with the Notes, such references to "Certificates" (*Zertifikate*) are to be construed as references to the Notes described herein.**

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth under the sections entitled "*Terms and Conditions of the Notes*" in the Base Prospectus dated 21 August 2008, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Final Terms and the Base Prospectus. The Base Prospectus and the

translation of the Summary into German are available for viewing at the office of the paying agent in London and on the web-site of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In addition, the Final Terms is available on the web-site of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and may be inspected at Citibank, N.A., Reuterweg 16, 60323 Frankfurt am Main, Germany.

1. (i) Issuer: Citigroup Funding Inc.
- (ii) Guarantor: Citigroup Inc.
2. (i) Series Number: EMTN0588
- (ii) Tranche Number: 1
3. (i) Specified Currency or Currencies: Euro (**EUR**)
4. Aggregate Principal Amount:
  - (i) Series: Up to 100,000 units (being the equivalent of EUR 100,000,000). It is anticipated that the final Aggregate Principal Amount of the Notes to be issued will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) on or around 7 November 2008.
  - (ii) Tranche: Up to 100,000 (being the equivalent of EUR 100,000,000). It is anticipated that the final Aggregate Principal Amount of the Notes to be issued will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) on or around 7 November 2008.
5. Issue Price: Euro 1,000 per unit
6. (i) Specified Denominations: EUR 1,000. The Notes may not be subdivided or reissued in a smaller denomination.
- (ii) Calculation Amount: EUR 1,000
7. (i) Issue Date: 7 November 2008
- (ii) Interest Commencement Date: Issue Date
8. Maturity Date: 7 November 2012, subject to adjustment in accordance with the Modified Following Business Day Convention for which the applicable Business Centres are London, TARGET and New York.
9. Types of Notes: Fixed Rate Notes
10. Interest Basis: 5.40 per cent. Fixed Rate
11. Redemption/Payment Basis: Redemption at par (being the equivalent of EUR 1,000 per Note)

12.	Change of Interest or Redemption/Payment Basis:	Not Applicable
13.	Put/Call Options:	Not Applicable
14.	(i) Status of the Notes:	Senior
	(ii) Status of the Deed of Guarantee:	Senior
15.	Method of distribution:	Non-syndicated

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16.	<b>Fixed Rate Note Provisions</b>	Applicable
	(i) Interest Rate(s):	5.40 per cent. per annum from and including the Issue Date to but excluding the Maturity Date.
	(ii) Interest Payment Date(s):	7 November in each year, payable in arrear, from, and including, 7 November 2009 to, and including, the Maturity Date, adjusted for payment only in accordance with the Modified Following Business Day Convention for which the applicable Business Centres are London, TARGET and New York.
	(iii) Interest Amount(s):	EUR 54.00 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360 unadjusted
	(vi) Determination Dates:	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes	Not Applicable
17.	<b>Floating Rate Note Provisions</b>	Not Applicable
18.	<b>Zero Coupon Note Provisions</b>	Not Applicable
19.	<b>Dual Currency Interest Provisions</b>	Not Applicable
20.	<b>Index Linked Interest Provisions</b>	Not Applicable
21.	<b>Inflation Linked Interest Provisions</b>	Not Applicable
22.	<b>Commodity Linked Interest Provisions</b>	Not Applicable
23.	<b>Share Linked Interest Provisions</b>	Not Applicable
24.	<b>Formula Linked Interest Provisions</b>	Not Applicable
25.	<b>Foreign Exchange Rate Linked Interest Provisions</b>	Not Applicable

## PROVISIONS RELATING TO REDEMPTION

26.	<b>Issuer Call</b>	Not Applicable
27.	<b>Investor Put</b>	Not Applicable
28.	<b>Redemption Amount of each Note</b>	EUR 1,000 per Calculation Amount
29.	<b>Index Linked Redemption Amount</b>	Not Applicable
30.	<b>Inflation Linked Redemption Amount</b>	Not Applicable
31.	<b>Commodity Linked Redemption Amount</b>	Not Applicable
32.	<b>Share Linked Redemption Amount</b>	Not Applicable
33.	<b>Formula Linked Redemption Amount</b>	Not Applicable
34.	<b>Foreign Exchange Rate Linked Redemption Amount</b>	Not Applicable
35.	<b>Early Redemption Amount</b>	
	(i) Early Redemption Amount(s) payable on redemption for taxation reasons or illegality (Condition 5(b) of the General Conditions) or on Event of Default (Condition 9 of the General Conditions) and/or the method of calculating the same:	EUR 1,000 per Calculation Amount
	(ii) Early Redemption Amount includes amount in respect of accrued interest:	No: together with the Early Redemption Amount, accrued interest shall also be paid.
36.	<b>Provisions applicable to Physical Delivery</b>	Not Applicable
37.	<b>Variation of Settlement</b>	Not Applicable

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

38.	<b>Form of Notes:</b>	Bearer Notes:  Temporary Global Note exchangeable for a Permanent Global Note on or after the Exchange Date which is exchangeable for Definitive Notes on a day falling not less than 60 days after that on which the notice requiring exchange is given by the holder or the Fiscal Agent and on which banks are open for business in London (being the city in which the specified office of the Fiscal Agent is located) and Frankfurt (being the city in which the relevant clearing system is located).
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39.	New Global Note	No
40.	Business Centres:	London, TARGET and New York
41.	Business Day Jurisdiction(s) or other special provisions relating to payment dates:	London, TARGET and New York
42.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
43.	Coupons to become void upon the due date for redemption of the Notes:	Not Applicable
44.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
45.	Details relating to Instalment Notes: amount of each Instalment Amount (including any maximum or minimum Instalment Amount), date on which each payment is to be made:	Not Applicable
46.	Redenomination, renominatisation and reconventioning provisions:	Not Applicable
47.	Consolidation provisions:	Not Applicable
48.	Other final terms:	Not Applicable
49.	Name and address of Calculation Agent:	Not Applicable
50.	Determinations:	Not Applicable

## **DISTRIBUTION**

51.	(i) If syndicated, names and addresses of Managers and underwriting commitments:	Not Applicable
	(ii) Date of Subscription Agreement:	Not Applicable
	(iii) Stabilising Manager(s) (if any):	Not Applicable
52.	If non-syndicated, name and address of Dealer:	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom

53. Total commission and concession: A distribution agent will earn a fee of EUR 15.00 per unit.
54. U.S. Selling Restrictions: Reg. S Compliance Category: 2  
TEFRA D
55. Non-exempt Offer: An offer (the **Offer**) of the Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in Germany (the **Public Offer Jurisdiction**) during the period from (and including) 1 October 2008 until (and including) 31 October 2008 (the **Offer Period**) during the hours in which banks are generally open for business in Germany and, upon fulfilment of local requirements, may start in other jurisdictions at a later stage.
- The Commission de Surveillance du Secteur Financier has provided the competent authority in Germany with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. The Base Prospectus has been passported into Germany.
- The Notes will be offered in Germany through:
- Citibank Privatkunden AG & Co. KGaA  
Kasernenstraße 10  
40213 Düsseldorf  
Germany
56. Additional selling restrictions: Not Applicable

**PURPOSE OF FINAL TERMS**

This Final Terms comprise the final terms required for issue and public offer in the Public Offer Jurisdiction and admission to trading on the regulated market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the U.S.\$30,000,000,000 Euro Medium Term Note Programme of Citigroup Funding Inc.

**RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in this Final Terms.

Signed on behalf of the Issuer:

By: .....

Duly authorised

Signed on behalf of the Guarantor:

By: .....

Duly authorised

## **PART B – OTHER INFORMATION**

### **1. LISTING AND ADMISSION TO TRADING**

- (i) Listing Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the regulated market of the Luxembourg Stock Exchange with effect from 7 November 2008.
- (ii) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and on the unregulated market (*Freiverkehr*) of the Frankfurt Stock Exchange with effect from 7 November 2008.

### **2. RATINGS**

- Ratings: The Issuer's senior debt is currently rated Aa3 / P-1, Review for Possible Downgrade (Moody's), AA- / A-1+, CreditWatch Negative (S&P) and AA- / F1+, Watch Negative (Fitch), based on the guarantee by Citigroup Inc. The Rating and outlook are subject to change during the term of the Notes.

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

### **4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the offer: General Corporate Purposes
- (ii) Estimated net proceeds: The estimated net proceeds will depend on the final size of the offer. It is anticipated that the estimated net proceeds will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) on or around 7 November 2008. For the avoidance of doubt, the estimated net proceeds reflect the proceeds to be received by the Issuer on the Issue Date. They are not a reflection of the fees payable by/to the relevant distribution agent or any other persons which may be involved in the distribution of the Notes from time to time.
- (iii) Estimated total expenses: Approximately EUR 3,050



**5. Fixed Rate Notes only – YIELD**

Indication of yield: 5.40 per cent. per annum from and including the Issue Date to but excluding the Maturity Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. OPERATIONAL INFORMATION**

ISIN Code: DE000A0T1KG7

Common Code: 038808877

WKN: A0T1KG

CUSIP: 97547G9E2

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s) and details relating to the relevant depository, if applicable:

Clearstream Banking AG, Frankfurt

Delivery: Delivery against payment

Names and addresses of initial Paying Agent(s):

Citibank, N.A. at London office  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Names and addresses of additional Paying Agent(s) (if any):

Kredietbank S.A. Luxembourg, 43, Boulevard Royal, L-2955 Luxembourg

Name and address of Registrar: Not Applicable

Name and addresses of Transfer Agents: Not Applicable

Intended to be held in a manner which would allow Eurosystem eligibility: Yes

**7. TERMS AND CONDITIONS OF THE OFFER**

Offer Price: EUR 1,000 per EUR 1,000 in nominal amount of the Notes

Conditions to which the offer is subject: Offers of the Notes are conditional on their issue. The Issuer reserves the right not to issue the Notes.

Description of the application process:

Investors may apply to subscribe for Notes during the Offer Period. The Offer Period may be discontinued at any time. In such case the Issuer shall give immediate notice to the public before the end of the Offer Period by means of a notice published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Investors will not be required to enter into any contractual arrangements directly with the Issuer related to the subscription for any Notes.

A prospective investor should contact the relevant distribution agent prior to the end of the Offer Period.

A prospective investor will subscribe for Notes in accordance with the arrangements agreed with the relevant distribution agent relating to the subscription of securities generally.

There is no pre-identified allotment criteria. Citi will adopt allotment criteria that ensures equal treatment of prospective investors. All of the Notes requested through the relevant distribution agent during the Offer Period will be assigned up to the maximum amount of the offer. A prospective investor will, on the Issue Date, receive 100 per cent. of the amount of Notes allocated to it during the Offer Period.

Applicants will be notified directly by the relevant distribution agent of the success of their application.

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Not Applicable

Details of the minimum and/or maximum amount of application:

The minimum amount of application is the Specified Denomination

Details of the method and time limits for paying up and delivering the Notes:

The Notes will be made available on a delivery versus payment basis.

The Issuer estimates that the Notes will be delivered to the purchaser's respective book-entry securities accounts on or around the Issue Date.

Dealings in the Notes may commence on the Issue Date.

Manner in and date on which results of the offer are to be made public:

By means of a notice published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:

Not Applicable

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:

Offers may be made by the relevant distribution agent in Germany to any person.

Offers (if any) in other EEA countries will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:

Applicants will be notified directly by the relevant distribution agent of the success of their application.

Dealings in the Notes may commence on the Issue Date.

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

Responsibility for any tax implications of investing in these Notes rests entirely with the subscriber or purchaser.

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.

The Notes will be offered in Germany through:

Citibank Privatkunden AG & Co. KGaA  
Kasernenstraße 10  
40213 Düsseldorf  
Germany

Such additional distribution agents as may be appointed by the Issuer from time to time.

## 8. OTHER INFORMATION

Citigroup Global Markets Limited will endeavour to make a secondary market in these Notes, but does not guarantee that a secondary market will exist.

## APPENDIX

### Taxation

#### GERMANY

The following is a general discussion of certain German tax consequences of the acquisition and ownership of Notes. It does not purport to be a comprehensive description of all tax considerations, which may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

Potential investors are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.

#### *Taxation in relation to the Notes*

#### *Tax treatment until 31 December 2008*

#### *Tax Residents*

#### *Interest/ Capital gains*

Payments of interest on the Notes, including interest having accrued up to the disposition of a Note and credited separately (**Accrued Interest**), if any, to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritatszuschlag*) at a rate of 5.5 per cent. thereon). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business. Accrued Interest paid upon the acquisition of a Note may give rise to negative income if the Note is held as a non-business asset.

Capital gains from the disposition of Notes are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition (so-called private disposals within the meaning of Sec. 23 German Income Tax Act, *Einkommensteuergesetz*) or form part of the property of a German trade or business, in which case the capital gains may also be subject to trade tax. Capital gains derived by German-resident corporate Noteholders will be subject to corporate income tax (plus solidarity surcharge at a rate of 5.5 per cent. thereon) and trade tax.

#### *Withholding Tax*

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution (the **Disbursing Agent**) a 30 per cent. withholding tax on interest payments (*Zinsabschlag*), plus 5.5 per cent. solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65 per cent. of the gross interest payment. Withholding tax on interest is also imposed on Accrued Interest.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the Noteholder to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of an Instrument is an individual (i) whose Instrument does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property; and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Noteholder has submitted to the Disbursing

Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

If Notes are not kept in a custodial account with a Disbursing Agent, withholding tax will apply at a rate of 35 per cent. of the gross amount of interest paid by a Disbursing Agent upon presentation of a coupon (whether or not presented with the Note to which it appertains) to a holder of such coupon (other than a non-German bank or financial services institution). In this case proceeds from the disposition, assignment or redemption of a Coupon will also be subject to withholding tax at a rate of 35 per cent. Where the 35 per cent. withholding tax applies Accrued Interest paid cannot be taken into account in determining the withholding tax base. Again a solidarity surcharge at a rate of 5.5 per cent. of the withholding tax applies so that the total tax burden to be withheld is 36.925 per cent.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts over-withheld will entitle the Noteholder to a refund, based on an assessment to tax.

#### *Non-residents*

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder; or (ii) the interest income otherwise constitutes German-source income (such as income from the letting and leasing of certain German-situs property). In the latter case a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above under "*Tax Residents*". Where Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition or redemption of a Note are paid by a Disbursing Agent to a non-resident, withholding tax of 35 per cent. will apply as explained above under "*Tax Residents*". The withholding tax may be refunded based upon an applicable tax treaty.

#### *Tax treatment from 1 January 2009 onwards/Introduction of a flat tax (Abgeltungsteuer) on Investment Income and Private Capital Gains*

##### *Tax Residents*

In the course of the Company Tax Reform Act 2008 (*Unternehmensteuerreformgesetz 2008*), inter alia, a flat tax at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) on investment income (e.g. interest income with respect to the Notes) and private capital gains has been introduced. The flat tax regime will take effect from 1 January 2009. The flat tax will, in principle, be levied as a withholding tax on the basis of the gross amount of investment income and private capital gains, i.e. expenses related to such income – except for a standard lump sum (*Sparer-Pauschbetrag*) of Euro 801 (Euro 1.602 for married couples) – will not be deductible. The flat tax will satisfy any income tax liability of the investor in respect of such investment income or private capital gains. However, a taxpayer will be able to apply for a tax assessment if his or her personal income tax rate is lower than the flat tax rate.

According to the flat tax regime losses from the sale or redemption of the Notes can only be set-off against other investment income. If the set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be set-off against investment income generated in these future assessment periods. Capital losses with respect to the Notes suffered prior to 1 January 2009 can only be set-off against capital gains under the new law until 31 December 2013.

The flat tax will apply to current investment income received 1 January 2009 and onwards and to capital gains/losses from the disposal of securities held as non-business assets, irrespective of any holding period,

provided that the gains/losses are generated after 31 December 2008. However, the flat tax will only be imposed on private capital gains/losses from assets (like the Notes) acquired after 31 December 2008.

### *Withholding*

If the Notes are held in a custody with or administrated by a German credit institution, financial services institution (including a German permanent establishment of such foreign institution), securities trading company or securities trading bank (the **Disbursing Agent** as amended by the Company Tax Reform Act 2008), the flat tax will be withheld by the Disbursing Agent upon interest payments, sale or redemption of the Notes. The withholding will be applied to investment income and capital gains from Notes held as private and Notes held as business assets. The flat tax is imposed on the interest payments and the excess of the proceeds from the sale or redemption over the purchase price paid for the Notes, the latter if the Notes were held in custody by the Disbursing Agent since their acquisition. If the Notes are held as private assets, the Disbursing Agent will provide for a set-off of losses with current investment income and capital gains from other securities. If custody has changed since the acquisition and the acquisition data is not proved, the tax rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) will be imposed on an amount equal to 30 per cent. of the proceeds from the sale or redemption of the Notes.

In general, no flat tax will be levied if the holder of a Note filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent (in the maximum amount of the standard lump sum of Euro 801 (Euro 1.602 for married couples)) to the extent the income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Income not subject to the withholding flat tax (e.g. since there is no Disbursing Agent) will be subject to the flat tax rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) upon statutory assessment.

In case of tax resident corporations or individual investors holding Notes as business assets the flat tax regime only applies to the extent described above under "*Tax treatment from 1 January 2009*", "*Withholding*". Apart from that, the tax treatment remains in principle as described above under "*Tax treatment until 31 December 2008*".

### *Non-residents*

The scope of the taxation of non-resident holders of a Note remains in principle unchanged in comparison to the tax regime applicable until 31 December 2008 (insofar see above under "*Tax treatment until 31 December 2008*", "*Non-residents*"). However, if such non-resident holders are subject to German income taxation the flat tax regime applies as for resident holders.

### *Inheritance and Gift Tax*

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

### *Other Taxes*

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

### *EU Savings Directive*

Germany has implemented the EU Directive into national legislation by means of an Interest Information Regulation (*Zinsinformationsverordnung*). Starting on 1 July 2005 Germany has therefore begun to communicate all payments of interest on securities (like the Notes) to the beneficial owners Member State of residence if the notes are kept in a custodial account with a Disbursing Agent.

## **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.