

Pursuant to article 16 para. 3 of the German Securities Prospectus Act investors who have already agreed to purchase or subscribe for Notes issued under the Programme (as defined herein) before this Supplement (as defined herein) has been published shall have the right, exercisable within a time limit which shall not be shorter than two working days after the publication of this Supplement, to withdraw their purchase orders provided that the relevant purchase order has not yet been settled. In this case the withdrawal has to be addressed to the Issuer (as defined below).

Supplement pursuant to article 16 para. 1 of the German Securities Prospectus Act
dated 26 January 2010

to the base prospectus
dated 19 August 2009 and lastly supplemented on 8 January 2010

relating to

Deutsche Pfandbriefbank AG

Munich, Federal Republic of Germany

as Issuer

Euro 50,000,000,000 Debt Issuance Programme (the “Programme”)

This supplement (the “Fourth Supplement” or the “Supplement”) to the base prospectus dated 19 August 2009 is prepared in connection with the Euro 50,000,000,000 Debt Issuance Programme (the “Programme”) of Deutsche Pfandbriefbank AG (the “Issuer”) and is supplemental to, and should be read in conjunction with, the base prospectus dated 19 August 2009 and supplemented on 13 October 2009 (the “First Supplement”), on 25 November 2009 (the “Second Supplement”) and on 8 January 2010 (the “Third Supplement”) (together, the “Original Base Prospectus”) in respect of the Programme. Unless otherwise stated or the context otherwise requires, terms defined in the Original Base Prospectus shall have the same meaning when used in the Fourth Supplement. As used herein, the term “Base Prospectus” means the Original Base Prospectus and the Fourth Supplement.

The Issuer accepts responsibility for the information contained in, or incorporated into this Base Prospectus. The Issuer hereby declares that all information contained in this Base Prospectus is true and accurate to the knowledge of the Issuer and that no material circumstances have been omitted.

The Fourth Supplement has been approved by the *Bundesanstalt für Finanzdienstleistungsaufsicht* of the Federal Republic of Germany in its capacity as competent authority (the “Competent Authority”) under the German Securities Act (*Wertpapierprospektgesetz*) which implements Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003. Please note that the approval of the Base Prospectus by the Competent Authority is based on the scrutiny of the completeness of the Base Prospectus including the consistency and the comprehensibility only. Application has been made to the Competent Authority to provide the *Commission de Surveillance du Secteur Financier* (the “CSSF”) of the Grand Duchy of Luxembourg, the *Autoriteit Financiële Markten* of the Netherlands, the *Financial Services Authority* of the United Kingdom, the *Irish Financial Services Regulatory Authority* of Ireland, the *Finanzmarktaufsicht* of Austria and the *Kreditilsynet / Oslo Børs* of Norway with a certificate of approval attesting that the Fourth Supplement has been drawn up in accordance with the German Securities Prospectus Act and with a copy of the Fourth Supplement.

This Fourth Supplement has been filed with the Competent Authority and has been published together with the Original Base Prospectus as supplemented on the website of the Issuer (www.hyporealestate.com). Upon request (to be addressed to Deutsche Pfandbriefbank AG, Freisinger Straße 5, 85716 Unterschleißheim, Germany), the Issuer will provide, free of charge, a copy of this Fourth Supplement and of the Original Base Prospectus.

The Issuer announces the following new factors relating to the information included in the Original Base Prospectus.

OVERALL AMENDMENTS

If reference is made in the Original Base Prospectus to “Base Prospectus”, then the respective reference includes all changes made by the First Supplement, the Second Supplement, the Third Supplement and the Fourth Supplement.

I. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “I. SUMMARY”

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “1. SUMMARY OF RISK FACTORS - SUMMARY OF RISKS RELATING TO THE ISSUER AND HYPO REAL ESTATE GROUP”

On pages 6 et seq. of the Original Base Prospectus, the third to fifth paragraph of the Subsection “Risks relating to Current Crisis of Hypo Real Estate Group” (as inserted by the Second Supplement and supplemented by the Third Supplement) shall be replaced as follows:

“The restructuring plan of Hypo Real Estate Group has been notified to the European Commission in April 2009. In its invitation to submit comments pursuant to Article 88(2) of the EC Treaty, which has been published in the Official Journal of the European Union (2010/C13/58) on 20 January 2010, the European Commission reiterates doubts on the viability of Hypo Real Estate Group. In its decision, the European Commission most likely will impose certain significant conditions, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatization of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.

Investors should note that the liquidity support granted to Hypo Real Estate Group is restricted from a timing perspective: The guarantee facilities provided by the SoFFin in the amount of Euro 52 billion and Euro 43 billion will expire on 30 June 2010 and 22 December 2010, respectively, subject to another prolongation. It should be noted that the SoFFin has not committed itself in a legally binding form to prolong or extend the guarantee facilities. Also for further recapitalisation measures there is no legally binding commitment by the SoFFin.

It should be noted also that with respect to the transfer of assets to the deconsolidated environment (*Abwicklungsanstalt*), the establishment of which has been applied for by Hypo Real Estate Holding, in coordination with the SoFFin, on 21 January 2010, the Act on the Establishment of a Financial-Market Stabilisation Fund dated 17 October 2008 and as lastly amended on 17 July 2009 (*Gesetz zur Errichtung eines Finanzmarktstabilisierungsfonds* – the “FMStFG”) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of those assets.”

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “2. SUMMARY OF THE DESCRIPTION OF THE ISSUER AND OF HYPO REAL ESTATE GROUP – SUMMARY OF THE DESCRIPTION OF HYPO REAL ESTATE GROUP”

On pages 13 et seq. of the Original Base Prospectus, the fourth paragraph of the Subsection “Measures for Stabilising Hypo Real Estate Group and Impact on the Issuer” (as inserted by the Second Supplement) shall be replaced as follows:

“On 6 November 2009, the SoFFin re-confirmed in a written statement to Hypo Real Estate Holding and the Issuer that it intends to ensure adequate capitalisation of Hypo Real Estate Group and that it will continue to assure the liquidity of Hypo Real Estate Group via guarantees, in line with the regulations of EU aid law, in order to permit the refocusing of Hypo Real Estate Group and to stabilise the German financial sector. The extent and volume of the capital injection will depend on the transfer of risk positions and non-strategic assets to the deconsolidated environment (*Abwicklungsanstalt*), the establishment of which has been applied for by Hypo Real Estate Holding,

in co-ordination with the SoFFin, on 21 January 2010. The volume and duration of the guarantees will be defined as part of the definitive recapitalisation process. Also this statement does not constitute a legally binding commitment of the SoFFin.”

On pages 13 et seq. of the Original Base Prospectus, the information contained in the ninth and tenth paragraph of the Subsection “Measures for Stabilising Hypo Real Estate Group and Impact on the Issuer” (as inserted by the Second Supplement and supplemented by the Third Supplement) shall be replaced as follows:

“On 21 January 2010, Hypo Real Estate Holding, in co-ordination with the SoFFin, submitted an application to the FMSA for the establishment of a deconsolidated environment (*Abwicklungsanstalt*) aimed at reducing assets in a value preserving manner. Hypo Real Estate Group intends to transfer operations no longer strategically required for Hypo Real Estate Group’s realignment, as well as additional balance sheet items, to this deconsolidated environment (*Abwicklungsanstalt*). The transfer, which is set to cover assets worth up to Euro 210 billion, is scheduled to take place during the second half of 2010, once all necessary approvals have been obtained from the responsible corporate bodies and institutions.

The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty’s state aid rules. On 7 May 2009, the European Commission has announced an “in-depth investigation” on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009, for temporarily compatible with the EC Treaty’s state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future. In its invitation to submit comments pursuant to Article 88(2) of the EC Treaty related to the letter dated 13 November 2009, which has been published in the Official Journal of the European Union (2010/C13/58) on 20 January 2010, the European Commission reiterates doubts on the viability of Hypo Real Estate Group and expresses persisting doubts regarding funding, short- and long-term profitability and business growth, taking the updated restructuring plan into account. In addition, the Commission doubts whether a significant reduction of the balance sheet is sufficient to compensate for the very significant amount of aid and whether the terms for reprivatization, according to which the reprivatization shall take place until a certain point of time, provided that Germany can obtain an economically acceptable price, are an appropriate means to limit distortions of competition. On 21 December 2009 the European Commission temporarily approved two state guarantees of Euro 8 billion and Euro 10 billion. The Euro 8 billion guarantee became effective on 23 December 2009. The Euro 10 billion guarantee will be granted in the coming months if necessary for urgent liquidity needs. These guarantees, as well as previous support measures in favour of Hypo Real Estate Group, will be taken into due account when the European Commission takes its final decision on Hypo Real Estate Group’s restructuring plan. In its final decision, the European Commission most likely will impose certain significant conditions on Hypo Real Estate Group, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatization of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.”

II. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “II. DEUTSCHE ÜBERSETZUNG DER ZUSAMMENFASSUNG”

1. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “1. ZUSAMMENFASSUNG DER RISIKOFAKTOREN - ZUSAMMENFASSUNG DER EMITTENTENBEZOGENEN RISIKEN UND DER RISIKEN IN BEZUG AUF DIE HYPO REAL ESTATE GROUP ”

On pages 22 et seq. of the Original Base Prospectus, the third to fifth paragraph of the Subsection “Risiken in Bezug auf die derzeitige Krise der Hypo Real Estate Group” (as inserted by the Second Supplement and supplemented by the Third Supplement) shall be replaced as follows:

“Der Restrukturierungsplan der Hypo Real Estate Group wurde an die Europäischen Kommission im April 2009 notifiziert. In ihrer Aufforderung zur Stellungnahme nach Artikel 88 Absatz 2 des EG-Vertrags, die im Amtsblatt der Europäischen Union (2010/C13/58) am 20. Januar 2010 veröffentlicht wurde, hat die Europäische Kommission Zweifel an der Lebensfähigkeit der Hypo Real Estate Group wiederholt. In ihrer Entscheidung wird die Europäische Kommission höchstwahrscheinlich einzelne wesentliche Auflagen verhängen, einschließlich einer wesentlichen Verringerung der Bilanzsumme und der Vorgabe eines bestimmten Zeitrahmens für die Reprivatisierung der Hypo Real Estate Holding. Falls die Europäische Kommission jedoch zu dem Ergebnis kommt, dass bestimmte staatliche Beihilfen nicht mit dem EG-Vertrag übereinstimmen, kann sie anordnen, dass Deutschland diese Beihilfen innerhalb einer bestimmten Frist aufheben oder umgestalten muss, bzw. die Rückzahlung anordnen.

Anleger sollten beachten, dass die der Hypo Real Estate Group gewährte Liquiditätsunterstützung zeitlich befristet ist: Vorbehaltlich einer weiteren Verlängerung werden die vom SoFFin gewährten Garantiefazilitäten in Höhe von Euro 52 Milliarden am 30. Juni 2010 bzw. in Höhe von Euro 43 Milliarden am 22. Dezember 2010 auslaufen. Es sollte beachtet werden, dass sich der SoFFin nicht rechtlich verbindlich verpflichtet hat, die Garantiefazilitäten zu verlängern oder auszudehnen. Auch im Hinblick auf weitere Rekapitalisierungsmaßnahmen besteht keine rechtlich bindende Verpflichtung seitens des SoFFin.

Weiterhin ist im Hinblick auf die geplante Übertragung von Vermögenswerten auf die Abwicklungsanstalt, deren Errichtung von der Hypo Real Estate Holding in Abstimmung mit dem SoFFin am 21. Januar 2010 beantragt wurde, zu beachten, dass das Gesetz zur Errichtung eines Finanzmarktstabilisierungsfonds vom 17. Oktober 2008, das zuletzt am 17. Juli 2009 geändert wurde (das „FMStFG“), weder der Emittentin noch der Hypo Real Estate Group einen rechtlich verbindlichen Anspruch auf Übertragung dieser Vermögenswerte gewährt.”

2. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “2. ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN UND DER HYPO REAL ESTATE GROUP – ZUSAMMENFASSUNG DER BESCHREIBUNG DER HYPO REAL ESTATE GROUP”

On pages 30 et seq. of the Original Base Prospectus, the fourth paragraph of the Subsection “Maßnahmen zur Stabilisierung der Hypo Real Estate Group und Auswirkungen auf die Emittentin” (as inserted by the Second Supplement) shall be replaced as follows:

“Der SoFFin hat am 6. November 2009 in einer schriftlichen Absichtserklärung gegenüber der Hypo Real Estate Holding und der Emittentin noch einmal bestätigt, auch künftig – in Übereinstimmung mit den Vorschriften des EU-Beihilfenrechts - eine hinreichende Kapitalisierung der Hypo Real Estate Group und wie bisher über Garantien die Liquidität der Hypo Real Estate Group sicherzustellen, um die Neuausrichtung der Hypo Real Estate Group zu ermöglichen und den deutschen Finanzsektor zu stabilisieren. Umfang und Höhe der Kapitalzuführung werden von der Übertragung von Risikopositionen und nicht-strategischen Vermögenswerten an die Abwicklungsanstalt, deren Errichtung von der Hypo Real Estate Holding in Abstimmung mit dem SoFFin am 21. Januar 2010 beantragt wurde, abhängen. Umfang und Laufzeit der Garantien werden im Rahmen der endgültigen Rekapitalisierung festgelegt. Auch diese schriftliche Erklärung stellt keine rechtlich verbindliche Verpflichtung des SoFFin dar.”

On pages 30 et seq. of the Original Base Prospectus, the ninth and tenth paragraph of the Subsection “Maßnahmen zur Stabilisierung der Hypo Real Estate Group und Auswirkungen auf die Emittentin” (as inserted by the Second Supplement and supplemented by the Third Supplement) shall be replaced as follows:

“Die Hypo Real Estate Holding hat am 21. Januar 2010 in Abstimmung mit dem SoFFin bei der FMSA einen Antrag auf Errichtung einer Abwicklungsanstalt zum wertschonenden Abbau von Vermögenswerten gestellt. Auf diese Abwicklungsanstalt will die Hypo Real Estate Group Geschäftsbereiche, die für die Neuausrichtung der

Hypo Real Estate Group nicht strategienotwendig sind, und weitere Bilanzpositionen übertragen. Die Übertragung soll im zweiten Halbjahr 2010 nach Erhalt aller erforderlichen Genehmigungen durch die maßgeblichen Institutionen und Organe erfolgen und Vermögenswerte bis zu Euro 210 Milliarden umfassen.

In Übereinstimmung mit den EG-Beihilferegeln wurde der Restrukturierungsplan bezüglich der Hypo Real Estate Group an die Europäische Kommission am 1. April 2009 notifiziert. Am 7. Mai 2009 hat die Europäische Kommission ein "förmliches Prüfverfahren" zur Vereinbarkeit des Restrukturierungsplans sowie der staatlichen Beihilfen mit dem EG-Vertrag eingeleitet. Am 7. Oktober 2009 wurde diese Entscheidung in einer leicht veränderten Fassung, insbesondere ohne Geschäftsgeheimnisse, im Amtsblatt der Europäischen Union (2009/C240/07) veröffentlicht. Am 13. November 2009 hat die Europäische Kommission die Kapitalzuführung an die Hypo Real Estate Group in Höhe von Euro 3 Milliarden, welche die SoFFin am 4. November 2009 beschlossen hat, vorläufig bis zur endgültigen Entscheidung über den Umstrukturierungsplan, mit den EG-Beihilferegeln für vereinbar erklärt. Zusammen mit der vorübergehenden Genehmigung hat die Europäische Kommission den Anwendungsbereich des laufenden Beihilfeverfahrens auf diese Kapitalzuführung ausgedehnt. Diese Erweiterungsentscheidung wird auch mögliche zukünftige Maßnahmen zur Unterstützung der Hypo Real Estate Group durch den SoFFin berücksichtigen. In ihrer Aufforderung zur Stellungnahme nach Artikel 88 Absatz 2 des EG-Vertrags in Bezug auf das Schreiben vom 13. November 2009, die im Amtsblatt der Europäischen Union (2010/C13/58) am 20. Januar 2010 veröffentlicht wurde, hat die Europäische Kommission Zweifel an der Lebensfähigkeit der Hypo Real Estate Group wiederholt und fortbestehende Zweifel hinsichtlich der Finanzierung, der kurz- und langfristigen Rentabilität sowie des Unternehmenswachstums auch unter Berücksichtigung des aktualisierten Umstrukturierungsplans geäußert. Außerdem fragt sich die Kommission, ob eine signifikante Reduzierung der Bilanzsumme einen hinreichenden Ausgleich für den sehr hohen Beihilfebetrag darstellt und ob die Bedingungen für die Reprivatisierung, nach denen diese bis zu einem bestimmten Zeitpunkt stattfinden soll, sofern Deutschland einen wirtschaftlich annehmbaren Preis erzielen kann, ein geeignetes Mittel sind, Wettbewerbsverzerrungen zu begrenzen. Am 21. Dezember 2009 hat die Europäische Kommission zwei Staatsgarantien über Euro 8 Milliarden bzw. Euro 10 Milliarden vorübergehend genehmigt. Die Garantie über Euro 8 Milliarden wurde am 23. Dezember 2009 wirksam. Die Garantie über Euro 10 Milliarden wird in den nächsten Monaten gewährt, falls sie für dringenden Liquiditätsbedarf notwendig ist. Diese Garantien werden, wie auch vorherige Unterstützungsmaßnahmen zu Gunsten der Hypo Real Estate Group, berücksichtigt, wenn die Europäische Kommission ihre abschließende Entscheidung über den Restrukturierungsplan der Hypo Real Estate Group trifft. In ihrer abschließenden Entscheidung wird die Europäische Kommission höchstwahrscheinlich einzelne wesentliche Auflagen gegen die Hypo Real Estate Group verhängen, einschließlich einer wesentlichen Verringerung der Bilanzsumme und der Vorgabe eines bestimmten Zeitrahmens für die Reprivatisierung der Hypo Real Estate Holding. Falls die Europäische Kommission jedoch zu dem Ergebnis kommt, dass die staatlichen Beihilfen nicht mit dem EG-Vertrag übereinstimmen, kann es sein, dass sie Deutschland verpflichtet, diese Beihilfen innerhalb einer bestimmten Frist aufzuheben oder umzugestalten, bzw. die Rückzahlung anordnen."

III. SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “III. RISK FACTORS”

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “1. RISKS RELATING TO THE ISSUER AND HYPO REAL ESTATE GROUP - RISKS RELATING TO CURRENT CRISIS OF HYPO REAL ESTATE GROUP”

On pages 41 et seq. of the Original Base Prospectus, the fourth to sixth paragraph in the Subsection “Risk of Dependency on Liquidity Support and on Recapitalisation” (as inserted by the Second Supplement and supplemented by the Third Supplement) shall be replaced as follows:

“The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty’s state aid rules. On 7 May 2009, the European Commission has announced an “in-depth investigation” on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009, for temporarily compatible with the EC Treaty’s state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future, i.e. a further recapitalisation of Hypo Real Estate Group of up to Euro 4 billion, the provision of liquidity guarantees for a maximum of five years with different maturities, and potential measures in the context of setting up a deconsolidated environment, which may be relevant in the context of state aid proceedings. In its invitation to submit comments pursuant to Article 88(2) of the EC Treaty related to the letter dated 13 November 2009, which has been published in the Official Journal of the European Union (2010/C13/58) on 20 January 2010, the European Commission reiterates doubts on the viability of Hypo Real Estate Group and expresses persisting doubts regarding funding, short- and long-term profitability and business growth, taking the updated restructuring plan into account. In addition, the Commission doubts whether a significant reduction of the balance sheet is sufficient to compensate for the very significant amount of aid and whether the terms for reprivatization, according to which the reprivatization shall take place until a certain point of time, provided that Germany can obtain an economically acceptable price, are an appropriate means to limit distortions of competition. On 21 December 2009 the European Commission temporarily approved two state guarantees of Euro 8 billion and Euro 10 billion. The Euro 8 billion guarantee became effective on 23 December 2009. The Euro 10 billion guarantee will be granted in the coming months if necessary for urgent liquidity needs. These guarantees, as well as previous support measures in favour of Hypo Real Estate Group, will be taken into due account when the European Commission takes its final decision on Hypo Real Estate Group’s restructuring plan. It is most likely that, if the restructuring plan is approved in principle, such approval is subject to certain significant conditions, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatization of Hypo Real Estate Holding. However, in a worst case scenario, the European Commission might decide that certain state aid measures granted to Hypo Real Estate Group do not comply with the EC Treaty and consequently, Germany might be obliged to abolish or alter such aid within a certain period, and/or order repayment.

Investors should note that the liquidity support granted to Hypo Real Estate Group is restricted from a timing perspective: The guarantee facilities provided by the SoFFin in the amount of Euro 52 billion and Euro 43 billion will expire on 30 June 2010 and 22 December 2010, respectively, subject to another prolongation. It should be noted that the SoFFin has not committed itself in a legally binding form to prolong or extend the guarantee facilities. Also for further recapitalisation measures there is no legally binding commitment by the SoFFin.

It should be noted that with respect to the transfer of assets to the deconsolidated environment (*Abwicklungsanstalt*) the establishment of which has been applied for by Hypo Real Estate Holding, in coordination with the SoFFin, on 21 January 2010, the Act on the Establishment of a Financial-Market Stabilisation Fund dated 17 October 2008 and lastly amended on 17 July 2009 (*Gesetz zur Errichtung eines Finanzmarktstabilisierungsfonds – “FMStFG”*) does not grant any legally binding right to the Issuer or Hypo Real Estate Group to demand the transfer of those assets.”

**IV. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION “IV. DEUTSCHE PFANDBRIEFBANK AG”**

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “2. INFORMATION ABOUT THE ISSUER”

On page 51 of the Original Base Prospectus, the Subsection “Measures for Stabilising Hypo Real Estate Group and Impact on the Issuer” (as supplemented by the Third Supplement) shall be replaced as follows:

“Measures for Stabilising Hypo Real Estate Group and Impact on the Issuer

In September 2008, as a result of the effects of the financial markets crisis, which worsened after the application for creditor protection by the US investment bank Lehman Brothers, DEPFA developed liquidity problems which threatened its existence. Internal relations within Hypo Real Estate Group, such as receivables, guarantees and letters of comfort, meant that most companies in the Hypo Real Estate Group also had to face a situation which posed a threat to their existence. As a consequence of this crisis, measures have been taken to assure the liquidity of Hypo Real Estate Group (for details see Section V.2 “Information about Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group”) and of the Issuer.

On 21 January 2010, Hypo Real Estate Holding, in co-ordination with the SoFFin, submitted an application to the German Financial Markets Stabilisation Agency (*Finanzmarktstabilisierungsanstalt* – the “FMMSA”) for the establishment of a deconsolidated environment (*Abwicklungsanstalt*) aimed at reducing assets in a value preserving manner. For details see Section V.2 “Information about Hypo Real Estate Group – Measures for Stabilising Hypo Real Estate Group – Deconsolidation and Non-Strategic Portfolios”.”

**V. SUPPLEMENTAL INFORMATION
RELATING TO THE SECTION “V. HYPO REAL ESTATE GROUP”**

SUPPLEMENTAL INFORMATION RELATING TO THE SECTION “2. INFORMATION ABOUT HYPO REAL ESTATE GROUP”

On page 65 of the Original Base Prospectus, the Subsection “Measures for Stabilising Hypo Real Estate Group – Declaration of Intent of the SoFFin” (as supplemented by the Second Supplement) shall be replaced as follows:

“Declaration of Intent of the SoFFin

On 28 March 2009, the SoFFin confirmed in writing in a “declaration of intent” to Hypo Real Estate Holding and the Issuer that it intends to take stabilisation measures for the benefit of Hypo Real Estate Group in order to stabilise the financial market, in particular by way of ensuring an adequate recapitalisation of Hypo Real Estate Holding subject to the acquisition of complete control and by way of issuing further guarantees at an adequate amount in favour of obligations of the Issuer. It should be noted that the declaration of intent does not constitute a legally binding commitment of the SoFFin that the guarantee facility will be prolonged, granted or extended in the future.

On 6 November 2009, the SoFFin re-confirmed in a written statement to Hypo Real Estate Holding and the Issuer that it intends to ensure adequate capitalisation of Hypo Real Estate Group and that it will continue to assure the liquidity of Hypo Real Estate Group via guarantees, in line with the regulations of EU aid law, in order to permit the refocusing of Hypo Real Estate Group and to stabilise the German financial sector. The extent and volume of the capital injection will depend on the transfer of risk positions and non-strategic assets to the deconsolidated environment (*Abwicklungsanstalt*), the establishment of which has been applied for by Hypo Real Estate Holding, in co-ordination with the SoFFin, on 21 January 2010 (for details see Section V.2 “Information about Hypo Real Estate Group - Measures for Stabilising Hypo Real Estate Group – Deconsolidation and Non-Strategic Portfolios”). The volume and duration of the guarantees will be defined as part of the definitive recapitalisation process. Also this statement does not constitute a legally binding commitment of the SoFFin.”

On page 65 et seq. of the Original Base Prospectus, the Subsection “Measures for Stabilising Hypo Real Estate Group – Deconsolidation and Non-Strategic Portfolios” (as supplemented by the Second Supplement) shall be replaced as follows:

“Deconsolidation and Non-Strategic Portfolios

As a measure of refocusing the group (for details see below under “Strategic Reorganisation of Hypo Real Estate Group”), it is intended that (i) the core bank will comprise Hypo Real Estate Group’s strategic assets and that (ii) non-strategic portfolios are reduced over a period of time whilst maintaining value.

With respect to the non-strategic portfolios, Hypo Real Estate Holding, in co-ordination with the SoFFin, submitted an application to the FMSA for the establishment of a deconsolidated environment (*Abwicklungsanstalt*) aimed at reducing assets in a value preserving manner on 21 January 2010. The deconsolidation is intended to be realised by establishing a legal institute with limited rights under public law (*teilrechtsfähige Anstalt des öffentlichen Rechts*) that would be subordinated to the FMSA making use of the possibilities of the FMSStFG, which allows the establishment of such a deconsolidated environment (*Abwicklungsanstalt*).

As explained in the application form, Hypo Real Estate Group intends to transfer operations no longer strategically required for Hypo Real Estate Group’s realignment, as well as additional balance sheet items, to this deconsolidated environment (*Abwicklungsanstalt*). The transfer, which is set to cover assets worth up to Euro 210 billion, is scheduled to take place during the second half of 2010, once all necessary approvals have been obtained from the responsible corporate bodies and institutions.

Specifically, Hypo Real Estate Group contemplates transferring parts of the public finance and real estate finance portfolios of DEPFA and the Issuer. The public finance portfolio consists of government or government-related assets which are currently suffering from lower market valuations. Parts of the real estate financing portfolio are affected by the prevailing difficult environment that continues to burden this segment.

The transfer may also include assets currently held by other Group entities, particularly DEPFA ACS BANK, Hypo Pfandbriefbank International S.A. and Hypo Public Finance Bank puc., as well as structured products and trading positions that are exposed to increased default risks, which have been written down where necessary or

have been included in the net trading result.

Furthermore, derivatives positions (predominantly used as hedges for both asset and liability items) might also be transferred to the deconsolidated environment (*Abwicklungsanstalt*).

Details regarding the actual asset portfolios, liabilities and derivatives to be transferred, the manner in which the transfer will take place, and the exact specifications of the deconsolidated environment (*Abwicklungsanstalt*), have yet to be determined in coordination with the FMSA. It is anticipated, that Hypo Real Estate Group entities will continue to manage the portfolios as well as providing additional services to the deconsolidated environment (*Abwicklungsanstalt*). The parties intend to resolve these issues by mid-2010. In parallel, the necessary IT infrastructure will be established and processes separated.

The establishment of a deconsolidated environment is governed by the FMStFG. The application for establishing such an institution was submitted pursuant to section 8a of the FMStFG. There is no legally enforceable right upon establishment of a deconsolidated environment: whether and to what extent the application will be approved is within FMSA's discretion. The transfer of assets requires the consent of executive bodies of the legal entities involved. Furthermore, the use of a deconsolidated environment is subject to approval by the European Union. Accordingly, this has already been included in the European Commission's ongoing state aid control proceedings (for details see Section V.2 "Information about Hypo Real Estate Group - Measures for Stabilising Hypo Real Estate Group - Notification of the Restructuring Plan to the European Commission").

On page 66 of the Original Base Prospectus, the information contained in the Subsection "Measures for Stabilising Hypo Real Estate Group - Notification of the Restructuring Plan to the European Commission" (as lastly supplemented by the Third Supplement) shall be replaced as follows:

"Notification of the Restructuring Plan to the European Commission

The restructuring plan of Hypo Real Estate Group has been notified to the European Commission on 1 April 2009 in accordance with the EC Treaty's state aid rules. On 7 May 2009, the European Commission has announced an "in-depth investigation" on the compatibility of the restructuring plan, including the state aid measures, with the EC Treaty. On 7 October 2009, this decision was published in a slightly amended version, in particular without business secrets, in the Official Journal of the European Union (2009/C240/07). On 13 November 2009, the European Commission declared the capital contribution to Hypo Real Estate Group amounting to Euro 3 billion decided upon by the SoFFin on 4 November 2009 (see above under "Further Capitalisation of Hypo Real Estate Group") for temporarily compatible with the EC Treaty's state aid rules until its final decision in relation to the restructuring plan. Together with the temporary approval the European Commission also extended the scope of the ongoing state aid proceedings to cover such capital contribution. The decision to extend the scope of the proceedings will also cover potential support measures for Hypo Real Estate Group by the SoFFin in the future, i.e. a further recapitalisation of Hypo Real Estate Group of up to Euro 4 billion, the provision of liquidity guarantees for a maximum of five years with different maturities, and potential measures in the context of setting up a deconsolidated environment, which may be relevant in the context of state aid proceedings. In its invitation to submit comments pursuant to Article 88(2) of the EC Treaty related to the letter dated 13 November 2009, which has been published in the Official Journal of the European Union (2010/C13/58) on 20 January 2010, the European Commission reiterates doubts on the viability of Hypo Real Estate Group and expresses persisting doubts regarding funding, short- and long-term profitability and business growth, taking the updated restructuring plan into account. In addition, the Commission doubts whether a significant reduction of the balance sheet is sufficient to compensate for the very significant amount of aid and whether the terms for reprivatization, according to which the reprivatization shall take place until a certain point of time, provided that Germany can obtain an economically acceptable price, are an appropriate means to limit distortions of competition. On 21 December 2009 the European Commission temporarily approved two state guarantees of Euro 8 billion and Euro 10 billion respectively. The Euro 8 billion guarantee became effective on 23 December 2009. The Euro 10 billion guarantee will be granted in the coming months if necessary for urgent liquidity needs. These guarantees, as well as previous support measures in favour of Hypo Real Estate Group, will be taken into due account when the European Commission takes its final decision on Hypo Real Estate Group's restructuring plan. In its final decision, the European Commission most likely will impose certain significant conditions on Hypo Real Estate Group, including a substantial balance sheet reduction and the setting of a certain timeframe for the reprivatization of Hypo Real Estate Holding. However, if the European Commission were to conclude in the final decision that certain state aid measures do not comply with the EC Treaty, it may decide that Germany shall abolish or alter such aid within a certain period, and/or order repayment.

It should be noted that the business model of the Issuer and of Hypo Real Estate Group is not only subject to review by the European Commission but also by the SoFFin. Subject to the outcome of the review, the business model will have to be adapted.”

Signatories on behalf of Deutsche Pfandbriefbank AG

Munich, as of 26 January 2010

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Chief Legal Counsel

gez. Dr. Gottfried von Aulock
Legal Counsel