

This document compiles two base prospectuses with different categories of securities pursuant Article 22(6) of the Commission Regulation (EC) No 809/2004 of 29 April 2004 (the “Prospectus Regulation”): (i) the base prospectus for the purposes of Article 5.4 of the Prospectus Directive containing non-equity securities within the meaning of No. 4 of Article 22(6) of the Regulation (EC) (“Non-Equity Securities”), and (ii) the base prospectus for the purposes of Article 5.4 of the Prospectus Directive containing Pfandbriefe as non-equity securities within the meaning of No. 3 of Article 22(6) of the Regulation (together, the “Debt Issuance Program Prospectus”).

**Debt Issuance Program Prospectus**  
**14 May 2008**

# Hypo Real Estate Bank AG

Munich, Federal Republic of Germany

**Euro 25,000,000,000**  
**Debt Issuance Program**  
**(the “Program”)**

for the issuance of Notes in bearer and registered form (including Pfandbriefe)

**Arranger:**  
UniCredit (HVB)

**Dealers:**

ABN AMRO  
Barclays Capital  
Commerzbank Corporates & Markets  
Deutsche Bank  
Dresdner Kleinwort  
HSBC  
Hypo Real Estate  
Morgan Stanley  
Natixis  
UniCredit (HVB)

**Hypo  Real Estate**  
**BANK**

A member of Hypo Real Estate Group

Under this Program, Hypo Real Estate Bank AG (the “Issuer”) may from time to time issue notes (including Pfandbriefe as defined below) (the “Notes”) denominated in any currency (subject always to compliance with all legal and/or regulatory requirements) agreed by the Issuer and the relevant dealers (the “Dealers”) listed on the front page.

Application has been made to the *Commission de Surveillance du Secteur Financier* of the Grand-Duchy of Luxembourg in its capacity as competent authority (the “Competent Authority”) for the approval of this Debt Issuance Program Prospectus (as defined herein; the expression shall include this Debt Issuance Program Prospectus supplemented from time to time as drawn up in accordance with the Luxembourg law of 10 July 2005 (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) which implements Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 (the “Prospectus Directive”) into Luxembourg Law).

Application has been made to the Luxembourg Stock Exchange for such Notes issued under the Program to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a EU-regulated market within the meaning of Directive 2004/39/EC. Notes issued under the Program may be admitted to trading on the regulated market of the Luxembourg Stock Exchange. Notes issued under the Program may be admitted to trading on an alternative stock exchange or may not be admitted to trading at all. This Debt Issuance Program Prospectus replaces and supersedes any previous information memoranda or supplements thereto relating to the Program.

The Debt Issuance Program Prospectus has been published on the website of the Issuer ([www.hyporealestatebank.de](http://www.hyporealestatebank.de)) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **IMPORTANT NOTICE ABOUT THIS DEBT ISSUANCE PROGRAM PROSPECTUS**

### **Responsibility of the Issuer**

The Issuer accepts responsibility for the information contained in, or incorporated into this Debt Issuance Program Prospectus. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in, or incorporated into, this Debt Issuance Program Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import. The Issuer confirms that, where information has been sourced from a third party, this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Responsibility of the Dealers**

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the information contained in this Debt Issuance Program Prospectus or any other information provided by the Issuer. The Dealers do not accept any liability in relation to the information contained in this Debt Issuance Program Prospectus or any other information provided by the Issuer in connection with the Program.

### **Exclusiveness**

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Debt Issuance Program Prospectus or any other information supplied in connection with the Program and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

### **Exclusion**

Neither this Debt Issuance Program Prospectus nor any other information supplied in connection with the Program is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Debt Issuance Program Prospectus or any other information supplied in connection with the Program should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Debt Issuance Program Prospectus nor any other information supplied in connection with the Program constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

### **Significance of Delivery**

The delivery of this Debt Issuance Program Prospectus does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date of delivery of this Debt Issuance Program Prospectus or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program. Investors should review, *inter alia*, the most recent non-consolidated or consolidated financial statements of the Issuer when deciding whether or not to purchase any Notes.

### **Restriction on Distribution**

The distribution of this Debt Issuance Program Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Debt Issuance Program Prospectus or any Notes come must inform themselves about any such restrictions. In particular,

there are restrictions on the distribution of this Debt Issuance Program Prospectus and the offer or sale of Notes in the United States, the European Economic Area, Japan and the Federal Republic of Germany (see Section XI. “Subscription and Sale” below).

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see Section XI. “Subscription and Sale” below).

#### **Stabilisation**

In connection with the issue of any Tranche (as defined herein) of Notes under the Programme, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or person(s) acting on behalf of any stabilising manager(s)) in accordance with applicable laws and rules.

#### **Currencies**

In this Debt Issuance Program Prospectus, unless otherwise specified or the context otherwise requires, the terms “Euro”, “euro”, “€” or “EUR” each means the lawful single currency of those countries which are participants of the European Monetary Union, “Sterling”, “£”, “GBP” and “STG” each means the lawful currency of the United Kingdom, “Swiss Franc”, “Sfr” and “CHF” each means the lawful currency of Switzerland, “U.S. Dollar”, “U.S.\$”, “\$” and “USD” each means the lawful currency of the United States of America and “Yen”, “¥” and “JPY” each means the lawful currency of Japan.

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## I. SUMMARY

The following constitutes a summary (the “Summary”) of the essential characteristics and risks associated with the Issuer and the Notes (including Pfandbriefe) to be issued under the Program. This Summary should be read as an introduction to this Debt Issuance Program Prospectus. Any decision by an investor to invest in the Notes (including Pfandbriefe) should be based on consideration of this Debt Issuance Program Prospectus as a whole, including the documents incorporated by reference and Supplements thereto and the relevant Final Terms. Where a claim relating to the information contained in this Debt Issuance Program Prospectus, any Supplement thereto and the relevant Final Terms is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Debt Issuance Program Prospectus, any Supplement thereto and the relevant Final Terms before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this Summary including any translation thereof and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Debt Issuance Program Prospectus.

### 1. SUMMARY OF THE DESCRIPTION OF THE PROGRAM

<b>Description</b>	Debt Issuance Program.
<b>Issuer</b>	Hypo Real Estate Bank AG (acting through its head office or one of its foreign branches, if any).
<b>Arranger</b>	Bayerische Hypo- und Vereinsbank AG.
<b>Dealers</b>	ABN AMRO Bank N.V. Barclays Bank PLC Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft HSBC Bank plc Hypo Real Estate Bank AG Morgan Stanley & Co. International plc Natixis and any other financial institution that may be appointed as additional Dealer under the Program.
<b>Distribution</b>	By way of a public offering or private placement and, in each case, on a syndicated or non-syndicated basis.
<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Office.
<b>Registrar</b>	Citibank, N.A., London Office (for Registered Pfandbriefe).
<b>Amount</b>	Euro 25,000,000,000 (or its equivalent in other currencies) outstanding at any one time. The Issuer will have the option at any time to increase the amount of the Program subject to, and in accordance with, the terms of the Dealer Agreement.
<b>Issuance in Series</b>	Notes in bearer form (including Pfandbriefe) will be issued on a continuing basis in Tranches (each a “Tranche”), each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a Series (“Series”) of Notes. Further Notes may be issued as part of an existing Series. The specific terms of each Tranche (which will be supplemented, where necessary, with supple-

mental terms and conditions) will be set forth in the applicable Final Terms.

**Selling Restrictions**

There will be specific restrictions on the offer and sale of Notes and the distribution of offering materials in the United States of America, the European Economic Area and Japan and such other restrictions as may be required under applicable law in connection with the offering and sale of a particular Tranche of Notes.

**Approval and Notification**

Approval for this Debt Issuance Program Prospectus pursuant to Article 13 of the Directive 2003/71/EC (the “Prospectus Directive”) and Article 7 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) has only been sought from the *Commission de Surveillance du Secteur Financier* as Competent Authority. As at the date of this Debt Issuance Program Prospectus, a notification of the Debt Issuance Program Prospectus and of all Notes issued under the Program pursuant to Article 18 of the Prospectus Directive is not intended. However, the Issuer will decide from time to time whether it requests a notification pursuant to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) to other competent authorities, in particular in connection with a Tranche of Notes, as may be agreed by the Issuer and the relevant Dealer(s).

**Listing and Admission to a Regulated Market**

Application has been made to the Luxembourg Stock Exchange for the Notes (including Pfandbriefe) to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange included in the list of regulated markets published in the Official Journal of the European Union. The Final Terms will determine for the specific Tranche whether the Notes will be listed on an alternative stock exchange or whether Notes will not be listed at all. Pfandbriefe in registered form will not be listed on any stock exchange.

**2. SUMMARY OF RISK FACTORS**

**Summary of Risks relating to the Issuer**

**Credit Risk**

Credit risk refers to the loss in value, or alternatively partial or complete write-down, of a receivable as a result of default or deterioration in the creditworthiness of a counterparty. Credit risk also comprises counterparty risk, the country risk, collateral risk, settlement risk and issuer risk.

**Market Risk**

Market risk is related to the risk of a loss due to the volatility of market prices of financial instruments. It includes among others the risk of potential loss arising by changes in market conditions, i.e. interest rate risk, credit spread risk and exchange-rate risk.

**Market Liquidity Risk / Liquidity Risk**

Market liquidity risks comprise the risk that the Issuer is unable to sell positions in markets at values entered in the evaluation procedures, but instead is obliged to accept valuation discounts, or alternatively fail to locate a purchaser.

Liquidity risk refers to the possible inability to fulfil financial obligations at any given time.

Under extreme market conditions the sale of bonds may become temporarily impossible. Furthermore, a decrease in creditworthiness of the Issuer or an increase in the risk positions of its financing portfolios may have the same effect for unsecured bonds and money market instruments. This may also affect the issuance of Pfandbriefe as it cannot be excluded that also the refinancing costs for the issuance of Pfandbriefe increase, in particular if the value of the assets in the cover pool deteriorates. In case the current downturn in the capital market continues, it is possible that the Issuer could in the future have limited access to senior unsecured funding.

<b>Operational Risk</b>	Operational risk describes the risk of losses arising from insufficient or erroneous internal processes, employees, and systems, as well as external events. Operational risk inalso includes legal risks.
<b>Business Risk</b>	Business risk refers to loss due to changes in the external business environment that affect the business activities of the Issuer. Business risk encompasses the risk arising from the subprime crisis.
<b>Real Estate Risk</b>	Real estate risk refers to the risk of a market price decline in the Issuer’s own holdings of real estate.
<b>Equity Risk</b>	Equity risk comprises value changes in the equity holdings of the Issuer.
<b>Acquisition of DEPFA BANK plc</b>	The acquisition of DEPFA has a significant impact on the individual members of the Hypo Real Estate Group as Hypo Real Estate Holding reorganises Hypo Real Estate Group. The strategy of sustained growth of the business of Hypo Real Estate Group through the acquisition of DEPFA may fail and anticipated synergy effects within Hypo Real Estate Group may not materialise. In addition, the financial condition and future earnings potential of the Issuer could be materially adversely affected by the reorganisation. Further risks arise from potential disruptions in the conduct of business and additional costs within Hypo Real Estate Group and for the Issuer due to the reorganisation of Hypo Real Estate Group and from a potential deterioration of the ratings of Hypo Real Estate Group and the Issuer due to the acquisition of DEPFA. Also, the acquisition of DEPFA will increase the leverage of Hypo Real Estate Group and of the Issuer, which may result in increased refinancing costs.
<b>Risks relating to the Planned Merger of Hypo Real Estate Bank International with the Issuer</b>	If the planned merger of Hypo Real Estate Bank International with the Issuer is completed, the Issuer will be liable for the payment obligations of Hypo Real Estate Bank International (potentially with retroactive effect). Consequently, the respective financial and earnings position of both, of the Issuer as the absorbing entity and of Hypo Real Estate Bank International will have to be considered, so that a potentially weaker financial and earnings position of Hypo Real Estate Bank International might have an impact on the financial and earnings position of the Issuer - on a stand-alone basis - prior to the completion of the merger. Furthermore, there is the risk that anticipated synergy effects for the merged entity may not materialise. Further risks arise from potential disruptions in the conduct of business and from a potential deterioration of the ratings of the merged entity due to the merger.
<b>Summary of Risks relating to the Notes</b>	
<b>Independent Review and Advice</b>	A potential investor should not invest in Notes which are complex financial instruments unless the investor has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.
<b>Liquidity Risk</b>	There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.
<b>Currency Risk / Dual Currency Notes</b>	A holder of a Note denominated in a foreign currency and a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield and/or the redemption amount of such Notes.



<b>Market Price Risk</b>	The holder of Notes is exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes. In such event, the holder may only be able to reinvest on less favourable conditions as compared to the original investment.
<b>Risk of Early Redemption</b>	If the Issuer has the right to redeem the Notes prior to maturity, a holder of such Notes is exposed to the risk that due to early redemption his investment will have a lower than expected yield.
<b>Subordinated Notes of the Issuer</b>	The obligations of the Issuer in case of Subordinated Notes constitute unsecured and subordinated obligations. In the event of dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts will be payable under such obligations until the claims of all unsubordinated creditors of the Issuer will have been satisfied in full.
<b>Taxation</b>	Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions.
<b>Legality of Purchase</b>	Potential purchasers of the Notes should be aware that the lawfulness of the acquisition of the Notes might be subject to legal restrictions potentially affecting the validity of the purchase. Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different).
<b>Change of Law</b>	The Terms and Conditions of the Notes are based on German law in effect as at the date of this Debt Issuance Program Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the date of this Debt Issuance Program Prospectus.
<b>Fixed Rate Notes</b>	A Holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate.
<b>Floating Rate Notes</b>	A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance.
<b>Zero Coupon Notes</b>	A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.
<b>Index-Linked Notes</b>	An investment in Index-Linked Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of such an Index-Linked Note is so linked to an index, other factor and/or a formula, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and if the principal amount of such an Index-Linked Note is so linked to an index, other factor and/or a formula, the principal amount payable at maturity may be less than the original purchase price of such Index-Linked Note if allowed pursuant to the terms of such Index-Linked Note, including the possibility that no principal will be paid. Investors should be aware that the market price of Index-Linked Notes may be highly volatile (depending on the volatility of the relevant index, other factor and/or formula). Neither the current nor the historical value of the relevant index, other factor and/or formula should be taken as an indication of future performance of such index, other factor and/or for-

mula.

**Pfandbriefe**

In principle, the same risks as described above apply to Pfandbriefe issued under the Program subject to several exemptions such as: (i) The mitigation of the insolvency risk; and (ii) the structuring of Pfandbriefe with respect to the redemption amount is restricted, i. e. the repayment of the principal amount is fixed on the day of the issue.

**3. SUMMARY OF THE DESCRIPTION OF THE ISSUER**

**Statutory Auditors**

For the financial year ended 31 December 2006, the independent auditors of the Issuer were Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 Munich, Germany.

For the financial year ended 31 December 2007, the independent auditors of the Issuer were KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 München, Germany.

**Information about the Issuer**

The Issuer acts under its legal name “Hypo Real Estate Bank Aktiengesellschaft”.

The Issuer is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany. It is registered with the commercial register in Munich under number HRB 41054. It was formed by the merger of two mixed mortgage banks (*gemischte Hypothekenbanken*), i.e. Bayerische Handelsbank AG and Nürnberger Hypothekenbank AG, and one mortgage bank (*Hypothekenbank*), i.e., Süddeutsche Bodencreditbank AG, on 3 September 2001, with retroactive effect as of 1 January 2001. At this time the legal name of the Issuer was “HVB Real Estate Bank AG”. On 30 September 2003, the name was changed into “Hypo Real Estate Bank AG”. On 3 November 2003, Westfälische Hypothekenbank AG, a former subsidiary of the Issuer, was merged into the Issuer. The merger became effective retroactively as of 1 January 2003.

The Issuer has its registered office at Von-der-Tann-Strasse 2, D-80539 Munich. Its telephone number is +49 89 2880-0.

**Integration into Hypo Real Estate Group**

The Issuer is part of Hypo Real Estate Group. Hypo Real Estate Group was formed in the course of the spin-off of a major part of the commercial real estate financing business of HVB AG and its consolidated subsidiaries.

On 2 October 2007, the acquisition of DEPFA by Hypo Real Estate Holding has been successfully completed. As a result of the acquisition, DEPFA became a wholly-owned subsidiary of Hypo Real Estate Holding and as such will continue to exist with its brand.

As at the date of this Debt Issuance Program Prospectus, Hypo Real Estate Group includes the parent company Hypo Real Estate Holding, DEPFA and its subsidiaries and three subsidiary banks (and their subsidiaries, affiliates and associated companies). Within Hypo Real Estate Group, Hypo Real Estate Holding, DEPFA and the subsidiary banks have the following roles:

- Hypo Real Estate Holding is a strategic and financial holding company which does not have any banking operations itself. Hypo Real Estate Holding is responsible for the business policy and the strategic management of Hypo Real Estate Group. All corporate centre functions relating to the group as a whole are concentrated in Hypo Real Estate Holding. This includes central active portfolio management and the pooling of risk strategy and management activities.
- DEPFA Group will become the centre of competence for public finance and infrastructure finance as well as for capital markets and asset management. DEPFA mainly conducts the business segment “Public Sector & Infrastructure Finance”.

With the transfer of Hypo Public Finance Bank, Dublin, from Hypo Real Estate Bank International to DEPFA, the previous activities of Hypo Public Finance Bank in this area were integrated into DEPFA Group.

- Hypo Real Estate Bank International conducts Hypo Real Estate Group's international real estate finance activities, which, together with the Issuer's national real estate finance activities, comprises the business segment "Commercial Real Estate Finance" of Hypo Real Estate Group.
- DEPFA Deutsche Pfandbrief Bank operates in the business segment "Public Sector & Infrastructure Finance".
- the Issuer focuses on the German real estate financing business within Hypo Real Estate Group.

In the new group structure of Hypo Real Estate Group it is planned to merge Hypo Real Estate Bank International with the Issuer in order to concentrate the commercial real estate business in a single legal entity based in Munich.

#### **Business Overview**

As a centre of competence for the German market within Hypo Real Estate Group the Issuer's target customers for new business include professional real estate investors, housing companies, property developers and real-estate funds. The Issuer targets both domestic investors and also international customers wishing to invest in the German real estate market. The Issuer offers a comprehensive range of financing services for professional real estate transactions, including for example senior lending, mezzanine financing, portfolio financing, financing for real estate companies and property developers, syndication and securitization. Furthermore the Issuer offers innovative derivative products.

#### **Trend Information**

Save as disclosed in this Debt Issuance Program Prospectus, there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements for the year ended 31 December 2007.

Under the current market conditions it is not possible to make a reliable assessment of the conditions on the capital and financing markets in the near future. While the Issuer expects a stable development of the portfolio in the segment commercial real estate in 2008, there are both chances and risks that may influence the business development in the future. Among others, the expansion of the cross-selling potential together with the reduced competition in the current market environment may have a positive effect whereas the spill-over of the U.S. subprime crisis to other real estate markets, the continuing crisis of refinancing markets and the accelerated liquidation of structured products, such as CDOs, combined with the further negative impact of the values of those structured products may have a negative impact.

#### **Major Shareholders**

The Issuer is totally-owned (100 per cent.) by Hypo Real Estate Holding.

#### **Historical Financial Information**

An overview on key figures for the financial years ended 31 December 2007 and 31 December 2006 can be gained by the following table:

<b>Operating performance as per German Commercial Code (HGB)</b>		<b>2007</b>	<b>2006</b>
Income before taxes	in € million	47	64
Net income	in € million	40	129
<b>Balance Sheet highlights (HGB)</b>			
Balance Sheet total	in € billion	73	74
Equity (inc. fund for general banking risks)	in € billion	2	2

### Portfolio highlights

New real estate financing business <sup>1)</sup>	in € billion	12	7
Volume of real estate financing <sup>2)</sup>	in € billion	28	23
Volume of public sector financing	in € billion	24	32

1) Real estate financing excluding off-balance-sheet business

2) Core business

### Auditing of Historical Financial Information

The auditors of the Issuer have made reports in respect of each set of statutory accounts for the two financial years ended 31 December 2006 and 31 December 2007 and each such report was an unqualified report.

### Interim and other Financial Information

The Issuer has not published interim financial information since the date of its last audited financial statements.

### Legal and Arbitration Proceedings

Apart from the suit against HVB as disclosed in this Debt Issuance Program Prospectus, the Issuer is not involved in any court or arbitration proceedings which could have a significant impact on its economic position.

### Significant Change in Issuer's Financial Position

Save as disclosed in this Debt Issuance Program Prospectus there has been no significant change in the Issuer's financial position since the date of the last audited financial statements (31 December 2007).

### Material Contracts

In August 2007, the Issuer sold a portfolio of non-strategic financing arrangements to ING-DiBa Services GmbH.

### Planned Merger of Hypo Real Estate Bank International with the Issuer

On 7 May 2008, the Management Boards and on 9 May 2008 the Supervisory Boards of the Issuer and of Hypo Real Estate Bank International, respectively, resolved to proceed with the merger of Hypo Real Estate Bank International with the Issuer, which had already been contemplated before. According to this decision, it is planned that the Issuer as absorbing company will become the legal successor to Hypo Real Estate Bank International as the transferring company by universal succession (*Gesamtrechtsnachfolge*). The merger will legally be effective upon its registration in the commercial register (*Handelsregister*) of the Issuer. If the application for the registration of the merger is filed with the commercial register by 31 August 2008, the merger would take place with retroactive economic effect upon 1 January 2008.

## 4. SUMMARY OF THE DESCRIPTION OF THE NOTES

### Currencies

Subject to any applicable legal or regulatory restrictions, including, in the case of an issuance of Pfandbriefe, the German Pfandbrief Act (*Pfandbriefgesetz*) such currencies or currency units as may be agreed between the Issuer and the relevant Dealer(s), including, without limitation, Euro, Sterling, Swiss Franc, U.S. Dollar and Yen and any other currency or currency unit subject to compliance with all legal and regulatory requirements.

### Denominations of Notes

Such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, save that the minimum denomination of the Notes will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency.

Notes issued on terms that they must be redeemed before the first anniversary of their date of issue may be subject to restrictions on their denominations and distribution.

In every case, the minimum denomination of Notes will be Euro 1,000.

### Maturities

Any maturity as may be agreed between the Issuer and the relevant Dealer(s) and indi-

cated in the applicable Final Terms, subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency or the Issuer.

**Issue Price**

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes**

Notes may be issued in bearer form, Pfandbriefe may be issued in bearer or registered form. Notes in bearer form (“Bearer Notes”) which are issued on the same date and are identical in all other respects (including as to listing) will constitute a “Tranche”. Where expressed to do so, any Tranche of Bearer Notes will constitute a single fungible series (a “Series”) with one or more further Tranches of Bearer Notes which are (i) expressed to be consolidated and form a single Series and (ii) identical in all respects (including as to listing), except for their respective issue dates, interest commencement dates and/or issue prices.

Bearer Notes to which U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (the “TEFRA C Rules”) applies (“TEFRA C Notes”) will be represented either initially by a temporary global Note in bearer form, without interest coupons, in an initial principal amount equal to the aggregate principal amount of such Notes (“Temporary Global Note”) or a permanent global Note in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Notes (“Permanent Global Note”). Any Temporary Global Note will be exchanged for either definitive Notes in bearer form (“Definitive Notes”) with interest coupons and talons (where applicable) or, to the extent that Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“Clearstream, Luxembourg”) and/or the relevant Alternative Clearing System so permits, in part for Definitive Notes and in the other part for one or more collective global Notes in bearer form (“Collective Global Notes”) with interest coupons and talons (where applicable).

Bearer Notes to which U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “TEFRA D Rules”) applies (“TEFRA D Notes”) will initially be represented by a Temporary Global Note which will be exchanged for either a Permanent Global Note or Definitive Notes or in part for Definitive Notes and in the other part for one or more Collective Global Notes, in each case on or after the day which is 40 days after the Issue Date upon certification of non-U.S. beneficial ownership in the form available from time to time at the specified office of the Issuing Agent.

Bearer Notes to which neither the TEFRA C Rules nor the TEFRA D Rules apply will be represented either initially by a Temporary Global Note or from the issue date by a Permanent Global Note. Any Temporary Global Note will be exchanged for either Definitive Notes or, to the extent that the relevant Clearing System so permits, in part for Definitive Notes and in the other part for one or more Collective Global Notes.

Pfandbriefe in bearer form to which the TEFRA C Rules apply will be represented by a permanent global Pfandbrief in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Pfandbriefe (“Permanent Global Pfandbrief”).

Pfandbriefe in bearer form to which the TEFRA D Rules apply will initially be represented by a temporary global Pfandbrief in bearer form, without interest coupons, in a principal amount equal to the aggregate principal amount of such Pfandbriefe (“Temporary Global Pfandbrief”). Any Temporary Global Pfandbrief will be exchanged for a Permanent Global Pfandbrief on or after the day which is 40 days after the Issue Date upon certification of non-U.S. beneficial ownership in the form available from time to time at the specified office of the Issuing Agent.

Pfandbriefe in bearer form to which neither the TEFRA C Rules nor the TEFRA D Rules apply will be represented by a Permanent Global Pfandbrief.

Permanent Global Notes, Temporary Global Pfandbriefe and Permanent Global Pfandbriefe will not be exchanged for Definitive Notes or Collective Global Notes.

As used herein the term “Global Note” means a Temporary Global Note, a Permanent Global Note, a Temporary Global Pfandbrief or a Permanent Global Pfandbrief.

Pfandbriefe in registered form will be represented by a registered Pfandbrief, without interest coupons, in a principal amount equal to the principal amount of such Pfandbriefe (“Registered Pfandbrief”).

The Notes can be issued as a New Global Note. Securities in New Global Note form can be deposited with a commercial bank common safekeeper or an ICSD common safekeeper, but only New Global Notes that are deposited with the latter can become eligible (upon fulfillment of certain criterias) as collateral for Eurosystem operations. The Final Terms will specify whether the Notes are issued as Classical Global Note or New Global Note.

**Pfandbriefe**

The Issuer may issue Pfandbriefe as Mortgage Pfandbriefe (*Hypothekpfandbriefe*) or Public Pfandbriefe (*Öffentliche Pfandbriefe*).

Mortgage and Public Pfandbriefe constitute recourse obligations of the Issuer. They are secured or “covered” by, in each case, separate pools of mortgage loans (in the case of Mortgage Pfandbriefe) or public sector loans (in the case of Public Pfandbriefe).

**Fixed Rate Notes**

Interest on Fixed Rate Notes will be payable in arrear on such basis and on such date(s) as agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption.

**Floating Rate Notes**

Floating Rate Notes will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended, updated or replaced from time to time) or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

The margin (when applicable) relating to the floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Interest on Floating Rate Notes will be payable in arrear on such basis and on such interest payment dates as agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

**Index-Linked Notes**

Payments of interest in respect of Index-Linked Interest Notes and payments of principal in respect of Notes with Index-Linked Redemption will be calculated by reference to such index, other factor and/or formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

**Other Provisions in relation to Floating Rate Notes and Index-Linked Interest Notes**

Floating Rate Notes and Index-Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index-Linked Interest Notes in respect of each interest period, as selected prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in,

or determined pursuant to, the relevant Final Terms and will be calculated as indicated in the relevant Final Terms.

**Dual Currency Notes** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currency or currencies, and based on such rate or rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

**Zero Coupon Notes** Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest except in the case of late payment.

**Taxation** All payments of interest on, and principal of, the Notes made by the Issuer will be made without any deduction or withholding for, or on account of, any present or future taxes, duties or governmental charges of whatever kind levied or imposed by or in (in the case of all Notes) the Federal Republic of Germany and (in the case of Notes issued through a foreign branch (if any) of the Issuer) the jurisdiction in which such branch is established unless there is an obligation by law to make such deduction or withholding. In that event, the Issuer will pay such additional amounts as may be necessary to ensure the receipt by the Noteholders of the full amount stated on the Notes, subject to customary exceptions.

Pfandbriefe will not provide for the obligation of the Issuer to pay such additional amounts in the event of taxes or duties being withheld or deducted from payments of principal or interest as aforesaid.

**Redemption** The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified installments (see below) or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not more than 60 days' nor less than 30 days' irrevocable notice (or in any case such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as indicated in the applicable Final Terms.

The Final Terms may provide that the Notes may be repayable in two or more installments of such amounts and on such dates as indicated in the applicable Final Terms.

Pfandbriefe will not in any event be capable of being redeemed prior to their stated maturity for taxation reasons, following an Event of Default or at the option of the Noteholders.

**Status of the Notes** If the Notes are unsubordinated Notes, as set forth in the Final Terms, the Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank at least pari passu with the claims of all other unsecured creditors of it other than those claims which are expressly preferred by law (including claims arising from Mortgage Pfandbriefe or Public Pfandbriefe issued by the Issuer).

Notes issued as Pfandbriefe will constitute direct, unconditional and unsubordinated obligations of the Issuer and will rank pari passu among themselves and (i) in the case of Public Pfandbriefe at least pari passu with all other obligations of the Issuer under Public Pfandbriefe and (ii) in the case of Mortgage Pfandbriefe at least pari passu with all other obligations of the Issuer under Mortgage Pfandbriefe. Pfandbriefe are covered by separate pools of public sector loans (in the case of Public Pfandbriefe) or mortgage loans (in the case of Mortgage Pfandbriefe).

If the Notes are subordinated Notes, as set forth in the Final Terms, (i) the Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank at least pari passu with the claims of all other unsecured, subordinated creditors of it and (ii) the claims arising from the Notes are subordinated to the claims of all other

creditors of the Issuer which are not also subordinated, as shown in Condition 2 of the Terms and Conditions (Bearer Notes).

**Negative Pledge**

None.

**Cross Default**

None.

**Governing Law**

German law.

**Jurisdiction**

Non-exclusive place of jurisdiction for any legal proceedings arising under the Notes is Munich.



## II. GERMAN TRANSLATION OF THE SUMMARY

Der folgende Abschnitt stellt die Zusammenfassung (die „Zusammenfassung“) der wesentlichen mit der Emittentin und den unter dem Programm zu begebenden Schuldverschreibungen (einschließlich Pfandbriefe) verbundenen Merkmale und Risiken dar. Die Zusammenfassung ist als Einleitung zum Emissionsprogrammprospekt zu verstehen. Der Anleger sollte jede Entscheidung zur Anlage in die Schuldverschreibungen (einschließlich der Pfandbriefe) auf die Prüfung des gesamten Prospekts einschließlich der durch Verweis einbezogenen Dokumente, etwaiger Nachträge hierzu und den maßgeblichen Endgültigen Bedingungen stützen. Wenn vor einem Gericht Ansprüche aufgrund der in diesem Emissionsprogrammprospekt, einem etwaigen Nachtrag oder den Endgültigen Bedingungen enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften des jeweiligen Gerichts die Kosten für die Übersetzung des Emissionsprogrammprospekts, etwaiger Nachträge und der maßgeblichen Endgültigen Bestimmungen vor Prozessbeginn zu tragen haben. Diejenigen Personen, die die Zusammenfassung einschließlich einer Übersetzung davon vorgelegt haben und deren Notifizierung beantragt haben, können ausschließlich in dem Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit anderen Teilen dieses Emissionsprogrammprospekts gelesen wird, haftbar gemacht werden.

### 1. ZUSAMMENFASSUNG DER BESCHREIBUNG DES PROGRAMMS

<b>Beschreibung</b>	Programm zur Emission von Schuldverschreibungen.
<b>Emittentin</b>	Hypo Real Estate Bank AG (handelnd durch ihre Hauptniederlassung oder, falls zutreffend, durch eine ihrer ausländischen Niederlassungen).
<b>Arrangeur</b>	Bayerische Hypo- und Vereinsbank AG
<b>Plazeure</b>	ABN AMRO Bank N.V. Barclays Bank PLC Bayerische Hypo- und Vereinsbank AG Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft Dresdner Bank Aktiengesellschaft HSBC Bank plc Hypo Real Estate Bank AG Morgan Stanley & Co. International plc Natixis sowie jedes andere Finanzinstitut, welches im Rahmen des Programms als Plazeur ernannt wird.
<b>Vertrieb</b>	Durch öffentliches Angebot oder Privatplatzierung sowie jeweils in syndizierter oder nicht-syndizierter Form.
<b>Emissions- und Hauptzahlstelle</b>	Citibank, N.A., London Office.
<b>Registerstelle</b>	Citibank, N.A., London Office (für Namenspfandbriefe).
<b>Emissionsvolumen:</b>	Das maximale Emissionsvolumen der gleichzeitig umlaufenden Schuldverschreibungen beträgt Euro 25.000.000.000 (oder den entsprechenden Betrag in anderen Währungen). Die Emittentin kann das Emissionsvolumen des Programms vorbehaltlich und in Übereinstimmung mit den Bestimmungen des Dealer Agreements erhöhen.
<b>Ausgabe in Serien</b>	Schuldverschreibungen in Form von Inhaberpapieren (einschließlich Pfandbriefe) werden fortlaufend in Tranchen (jeweils eine Tranche“) ausgegeben, wobei jede Tranche aus identischen Schuldverschreibungen besteht. Eine oder mehrere Tranchen, die ausdrücklich zusammengefasst sind und ein und dieselbe Serie darstellen und die in jeder Hinsicht, außer in Bezug auf das Ausgabedatum, den Verzinsungsbeginn, den Ausgabe-

preis und das Datum der ersten Zinszahlung, identisch sind, können eine Serie („Serie“) von Schuldverschreibungen darstellen. Weitere Schuldverschreibungen können als Teil einer bestehenden Serie ausgegeben werden. Die spezifischen Anleihebedingungen der einzelnen Tranchen (welche gegebenenfalls durch ergänzende Anleihebedingungen ergänzt werden) sind in den Endgültigen Bedingungen dargelegt.

**Verkaufsbeschränkungen**

Das Angebot und der Verkauf der Schuldverschreibungen und die Verbreitung der Angebotsunterlagen in den USA, dem Europäischen Wirtschaftsraum und Japan unterliegen bestimmten Beschränkungen. Ferner können Angebot und Verkauf bestimmter Tranchen von Schuldverschreibungen unter den jeweils anwendbaren Gesetzen bestimmten Beschränkungen unterliegen.

**Genehmigung und Notifizierung**

Die Genehmigung dieses Emissionsprogrammprospekts gemäß Artikel 13 der Richtlinie 2003/71/EG (die „Prospektrichtlinie“) und Artikel 7 des luxemburgischen Gesetzes zu Wertpapierprospekten (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) wurde ausschließlich bei der *Commission de Surveillance du Secteur Financier* als zuständiger Behörde beantragt. Zum Zeitpunkt der Billigung des Basisprospekts zum Emissionsprogramms ist eine Notifizierung des Programms und der darunter begebenen Wertpapiere entsprechend Artikel 18 der Prospektrichtlinie nicht beabsichtigt. Die Emittentin wird jedoch von Zeit zu Zeit entscheiden, ob sie einen Antrag auf Notifizierung entsprechend Artikel 18 der Prospektrichtlinie und Artikel 10 des luxemburgischen Prospektgesetzes (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*), insbesondere in Verbindung mit einer Tranche von Schuldverschreibungen, wie zwischen der Emittentin und den jeweiligen Plazeuren vereinbart, an andere Aufsichtsbehörden richtet.

**Zulassung zum regulierten Markt**

Die Zulassung der Schuldverschreibungen (einschließlich der Pfandbriefe) zum Listing und zum Handel am regulierten Markt der Luxemburger Börse, welcher in der im Amtsblatt der Europäischen Union veröffentlichten Liste regulierter Märkten erscheint, wurde bei der Luxemburger Börse beantragt. In den Endgültigen Bedingungen ist für jede Tranche angegeben, ob die Schuldverschreibungen alternativ an einer anderen Börse notiert werden oder ob keine Börsennotierung erfolgt. Pfandbriefe, die in Form von Namenspapieren ausgegeben werden, werden an keiner Börse notiert sein.

## **2. ZUSAMMENFASSUNG DER RISIKOFAKTOREN**

### **Zusammenfassung der mit der Emittentin verbundenen Risiken**

**Kreditrisiko**

Kreditrisiko bezeichnet das Risiko des Wertverlustes bzw. die teilweise oder vollständige Abschreibung einer Forderung, verursacht durch Ausfall oder Bonitätsverschlechterung eines Kontrahenten. Das Kreditrisiko umfasst auch das Kontrahentenrisiko, Länderrisiko, Besicherungsrisiko, Abwicklungsrisiko und Emittentenrisiko.

**Marktrisiko**

Marktrisiko beschreibt das Risiko eines Wertverlustes aufgrund der Volatilität von Marktpreisen von Finanzinstrumenten, d.h. das Zinsrisiko, Credit Spread Risiko und Wechselkursrisiko.

**Marktliquiditätsrisiko / Liquiditätsrisiko**

Marktliquiditätsrisiken beinhalten das Risiko, dass die Emittentin Positionen nicht zu ihren in den Bewertungsverfahren angesetzten Werten an den Märkten veräußern können, sondern Bewertungsabschläge hinnehmen muss oder keinen Käufer finden kann.

Das Liquiditätsrisiko bezeichnet die potentielle Unfähigkeit, zu einem beliebigen Zeitpunkt finanziellen Verpflichtungen nachzukommen.

In extremen Marktbedingungen kann der Absatz von Schuldverschreibungen vorübergehend unmöglich werden. Auch eine Verschlechterung der Bonität der Emittentin oder eine Steigerung des Risikogehalts in den Finanzierungsportfolien kann die gleichen Effekte auf ungedeckte Anleihen und Geldmarktgeschäfte haben. Dies kann auch die Begebung von Pfandbriefen betreffen, da nicht ausgeschlossen werden kann, dass auch die Refinanzierungskosten für die Begebung von Pfandbriefen ansteigen, insbesondere falls sich die Bonität der Darlehen im Deckungsstock verschlechtert. Wenn die aktuellen Verwerfungen am Kapitalmarkt anhalten, kann dies dazu führen, dass die Emittentin nur in begrenztem Umfang auf Senior Unsecured Refinanzierungsquellen zugreifen kann.

<b>Operationelle Risiko</b>	Operationelles Risiko beschreibt das Verlustrisiko resultierend aus unzureichenden oder fehlerhaften internen Prozessen, Mitarbeitern und Systemen, sowie externen Ereignissen. Operationelle Risiken erfassen auch rechtliche Risiken.
<b>Geschäftsrisiko</b>	Geschäftsrisiko bezieht sich auf das Risiko eines Verlustes auf Grund von Änderungen im externen Geschäftsumfeld, welche die Geschäftstätigkeit der Emittentin beeinflussen. Das Geschäftsrisiko umfasst Risiken, die sich aus der Subprime Krise ergeben.
<b>Real Estate Risiko</b>	Real Estate Risiko beschreibt das Risiko eines Marktpreisrückgangs hinsichtlich des eigenen Immobilienbestandes der Emittentin.
<b>Equity Risiko</b>	Equity Risiko umfasst die Beteiligungsrisiken der Emittentin.
<b>Erwerb der DEPFA BANK plc</b>	Der Erwerb der DEPFA hat einen wesentlichen Einfluss auf die einzelnen Einheiten der Hypo Real Estate Group, da die Hypo Real Estate Holding die Hypo Real Estate Group neu strukturieren wird. Die mit der Akquisition der DEPFA verbundene Strategie einer nachhaltigen Wachstumssteigerung könnte fehlschlagen und es lässt sich nicht ausschließen, dass sich angenommene Synergieeffekte innerhalb der Hypo Real Estate Group nicht oder nicht vollständig realisieren lassen. Hinzu kommt, dass die Vermögens-, Finanz- und Ertragslage der Emittentin durch die Neustrukturierung negativ beeinflusst werden können. Weitere Risiken können infolge einer potentiellen Störung des Geschäftsablaufs, infolge zusätzlicher Kosten innerhalb der Hypo Real Estate Group und für die Emittentin aufgrund der Neustrukturierung der Hypo Real Estate Group und infolge einer potentiellen Verschlechterung der Ratings der Hypo Real Estate Group und der Emittentin aufgrund des Erwerbs der DEPFA entstehen. Daneben wird durch den Erwerb der DEPFA die Eigenkapitalquote der Hypo Real Estate Group und der Emittentin sinken, was zu erhöhten Refinanzierungskosten führen kann.
<b>Risiken in Bezug auf die geplante Verschmelzung der Hypo Real Estate Bank International mit der Emittentin</b>	Falls die geplante Verschmelzung der Hypo Real Estate Bank International mit der Emittentin vollendet wird, wird die Emittentin für die Zahlungsverpflichtungen der Hypo Real Estate Bank International (gegebenenfalls rückwirkend) haftbar werden. Dies hat zur Folge, dass die jeweilige Finanz- und Ertragslage der Emittentin als der übernehmenden Einheit und der Hypo Real Estate Bank International zusammen zu betrachten sind, so dass eine möglicherweise ungünstige Finanz- und Ertragslage der Hypo Real Estate Bank International auch Auswirkungen auf die - isoliert betrachtete - Finanz- und Ertragslage der Emittentin vor der Vollendung der Verschmelzung hätte. Darüber hinaus besteht das Risiko, dass erwartete Synergieeffekte für die verschmolzene Einheit nicht eintreten. Weitere Risiken entstehen aus möglichen Störungen des Geschäftsbetriebs und aus der möglichen Verschlechterung des Ratings der verschmolzenen Einheit als Folge der Verschmelzung.

**Zusammenfassung der mit den Schuldverschreibungen verbundenen Risiken**

**Unabhängige Prüfung und** Schuldverschreibungen sind komplexe Finanzinstrumente, in die potentielle Anleger

<b>Beratung</b>	nur investieren sollten, wenn sie (selbst oder durch ihre Finanzberater) über die nötige Expertise verfügen, um die Performance der Schuldverschreibungen unter den wechselnden Bedingungen, die resultierenden Wertveränderungen der Schuldverschreibungen sowie die Auswirkungen einer solchen Anlage auf ihr Gesamtportfolio einzuschätzen.
<b>Liquiditätsrisiko</b>	Es kann keine Zusicherung gegeben werden, dass ein liquider Sekundärmarkt für die Schuldverschreibungen entstehen wird oder, sofern er entsteht, dass er fortbestehen wird. In einem illiquiden Markt könnte es sein, dass ein Anleger seine Schuldverschreibungen nicht zu jedem Zeitpunkt zu angemessenen Marktpreisen veräußern kann. Die Möglichkeit, Schuldverschreibungen zu veräußern, kann darüber hinaus aus landesspezifischen Gründen eingeschränkt sein.
<b>Währungsrisiko / Doppelwährungs- Schuldverschreibungen</b>	Gläubiger von Schuldverschreibungen, die auf eine ausländische Währung lauten, und Gläubiger von Doppelwährungs-Schuldverschreibungen sind Wechselkursrisiken ausgesetzt, welche Auswirkungen auf die Rendite und/oder den Rückzahlungsbetrag der Schuldverschreibungen haben können.
<b>Marktpreisrisiko</b>	Der Gläubiger von Schuldverschreibungen ist dem Risiko nachteiliger Entwicklungen der Marktpreise seiner Schuldverschreibungen ausgesetzt, welches sich verwirklichen kann, wenn der Gläubiger seine Schuldverschreibungen vor Endfälligkeit veräußert. In diesem Fall besteht die Möglichkeit, dass der Gläubiger der Schuldverschreibungen eine Wiederanlage nur zu schlechteren als den Bedingungen des ursprünglichen Investments tätigen kann.
<b>Risiko der vorzeitigen Rückzahlung</b>	Sofern der Emittentin das Recht eingeräumt wird, die Schuldverschreibungen vor Fälligkeit zurückzuzahlen, ist der Gläubiger dieser Schuldverschreibungen dem Risiko ausgesetzt, dass infolge der vorzeitigen Rückzahlung seine Kapitalanlage eine geringere Rendite als erwartet aufweisen wird.
<b>Nachrangige Schuldverschreibungen der Emittentin</b>	Die Verbindlichkeiten der Emittentin unter nachrangigen Schuldverschreibungen sind nicht besichert und nachrangig. Im Falle der Liquidation oder der Insolvenz der Emittentin oder eines Vergleichs- oder eines anderen der Abwendung der Insolvenz dienenden Verfahrens gegen die Emittentin gehen diese Verbindlichkeiten den Ansprüchen dritter Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten im Range nach, so dass die Zahlungen auf diese Verbindlichkeiten solange nicht erfolgen, wie die Ansprüche dieser dritten Gläubiger der Emittentin aus nicht nachrangigen Verbindlichkeiten nicht vollständig befriedigt sind.
<b>Besteuerung</b>	Potentielle Käufer und Verkäufer der Schuldverschreibungen sollten zur Kenntnis nehmen, dass sie gemäß den Gesetzen und Bestimmungen, die in dem Land, in dem die Schuldverschreibungen übertragen werden, oder in anderen Jurisdiktionen gelten, möglicherweise Steuern oder anderweitige Gebühren zahlen müssen.
<b>Rechtmäßigkeit des Kaufs</b>	Potentielle Käufer der Schuldverschreibungen sollten sich bewußt sein, dass die Rechtmäßigkeit des Kaufs der Schuldverschreibungen Gegenstand von rechtlichen Beschränkungen sein kann, welche die Wirksamkeit des Kaufs beeinträchtigen können. Weder die Emittentin, noch die Plazeure, noch ihre jeweiligen verbundenen Gesellschaften haften nach dem Recht ihres jeweiligen Sitzstaates oder dem Recht des Landes, in dem sie tätig ist/sind (falls abweichend), für die Rechtmäßigkeit des Kaufs der Schuldverschreibungen durch einen potentiellen Käufer der Schuldverschreibungen.
<b>Gesetzesänderungen</b>	Die Anleihebedingungen der Schuldverschreibungen unterliegen den deutschen Gesetzen in ihrer zum Datum dieses Emissionsprogrammprospekts gültigen Fassung. Es kann jedoch keine Zusicherung im Hinblick auf etwaige Auswirkungen möglicher Gerichtsentscheidungen oder einer Änderung der deutschen Gesetze oder der Verwaltungspraxis nach dem Datum dieses Emissionsprogrammprospekts gegeben

werden.

<b>Festverzinsliche Schuldverschreibungen</b>	Gläubiger festverzinslicher Schuldverschreibungen sind dem Risiko eines Kursrückgangs infolge einer Änderung des Marktzinses ausgesetzt.
<b>Variabel verzinsliche Schuldverschreibungen</b>	Gläubiger variabel verzinslicher Schuldverschreibungen sind dem Risiko von Zinsschwankungen und unsicherer Zinserträge ausgesetzt. Zinsschwankungen machen eine vorherige Bestimmung der Rendite variabel verzinslicher Schuldverschreibungen unmöglich.
<b>Nullkupon-Schuldverschreibungen</b>	Gläubiger von Nullkupon-Schuldverschreibungen sind dem Risiko eines Kursrückgangs infolge einer Änderung des Marktzinses ausgesetzt. Die Preise von Nullkupon-Schuldverschreibungen unterliegen einer größeren Volatilität, als die Preise festverzinslicher Schuldverschreibungen, und reagieren stärker auf Veränderungen des Marktzinses als verzinsliche Schuldverschreibungen mit ähnlicher Laufzeit.
<b>Indexierte Schuldverschreibungen</b>	Eine Anlage in indexierten Schuldverschreibungen birgt erhebliche Risiken, welche mit ähnlichen Anlagen in konventionellen festverzinslichen Schuldtiteln nicht verbunden sind. Wenn der Zinssatz einer solchen indexierten Schuldverschreibung an einen Index oder anderen Faktor und/oder eine Formel gebunden ist, kann ein Zinssatz zur Anwendung kommen, der geringer ist, als der Zinssatz, der für einen zum gleichen Zeitpunkt emittierten konventionellen festverzinslichen Schuldtitel gilt, wobei auch die Möglichkeit besteht, dass keine Zinsen gezahlt werden; wenn der Rückzahlungsbetrag einer solchen indexierten Schuldverschreibung an einen Index oder anderen Faktor und/oder eine Formel gebunden ist, kann der bei Fälligkeit zahlbare Betrag geringer sein, als der Kaufpreis dieser indexierten Schuldverschreibung, sofern dies gemäß den Bedingungen der indexierten Schuldverschreibungen zulässig ist, wobei auch die Möglichkeit besteht, dass kein Kapital zurückgezahlt wird. Anleger sollten sich auch bewusst sein, dass der Marktpreis indexierter Schuldverschreibungen (in Abhängigkeit von der Volatilität des maßgeblichen Index oder des anderen relevanten Faktors und/oder der Formel) einer hohen Volatilität ausgesetzt sein kann. Weder die gegenwärtige noch die historische Performance des maßgeblichen Index oder des anderen relevanten Faktors und/oder der Formel sollte als Richtschnur für die zukünftige Performance dieses Index oder des anderen relevanten Faktors und/oder der Formel betrachtet werden.
<b>Pfandbriefe</b>	Generell gelten die gleichen Risiken wie vorstehend beschrieben auch für Pfandbriefe, die unter dem Programm ausgegeben werden, vorbehaltlich einiger Ausnahmen, wie: (i) die Verringerung des Insolvenzrisikos und (ii) die Beschränkungen bei der Strukturierung der Pfandbriefe hinsichtlich des Rückzahlungsbetrags, insbesondere wird der Rückzahlungsbetrag am Ausgabedatum festgelegt.

### 3. ZUSAMMENFASSUNG DER INFORMATIONEN ÜBER DIE EMITTENTIN

**Gesetzliche Wirtschaftsprüfer** Die unabhängigen Wirtschaftsprüfer der Emittentin für das am 31. Dezember 2006 beendete Geschäftsjahr waren Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 München, Deutschland.

Die unabhängigen Wirtschaftsprüfer der Emittentin für das am 31. Dezember 2007 beendete Geschäftsjahr waren KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 München, Germany.

**Informationen über die Emittentin** Die Emittentin handelt unter der Firma „Hypo Real Estate Bank Aktiengesellschaft“.

Die Emittentin wurde gemäß den Gesetzen der Bundesrepublik Deutschland als Aktiengesellschaft errichtet. Sie ist beim Handelsregister in München unter der Nummer HRB 41054 eingetragen. Sie wurde durch Zusammenschluss zweier gemischter Hypothekenbanken, nämlich der Bayerische Handelsbank AG und der Nürnberger Hypothekenbank AG, und einer Hypothekenbank, der Süddeutsche Bodencreditbank AG, am 3. September 2001 rückwirkend mit Wirkung zum 1. Januar 2001 gegründet. Zu diesem Zeitpunkt handelte die Emittentin unter der Firma „HVB Real Estate Bank AG“. Am 30. September 2003 wurde der Name in „Hypo Real Estate Bank AG“ geändert. Am 3. November 2003 wurde die Westfälische Hypothekenbank AG, eine frühere Tochtergesellschaft der Emittentin, in die Emittentin verschmolzen. Die Verschmelzung wurde rückwirkend zum 1. Januar 2003 wirksam.

Der eingetragene Geschäftssitz der Gesellschaft ist Von-der-Tann-Strasse 2, D-80539 München, Tel. +49 89 2880-0.

**Eingliederung der Emittentin in die Hypo Real Estate Group** Die Emittentin ist Teil der Hypo Real Estate Group. Die Hypo Real Estate Group wurde infolge der Ausgliederung eines wesentlichen Teils des Geschäftsbereichs gewerbliche Immobilienfinanzierung der HVB AG und ihrer konsolidierten Tochtergesellschaften gebildet.

Am 2. Oktober 2007 wurde der Erwerb der DEPFA durch die Hypo Real Estate Holding erfolgreich vollendet. Als Folge des Erwerbs wurde die DEPFA zu einer 100%-Tochtergesellschaft der Hypo Real Estate Holding und wird als solche unter ihrer Marke weiter existieren.

Zum Zeitpunkt der Erstellung dieses Emissionsprogrammprospekts umfasst die Hypo Real Estate Group die Hypo Real Estate Holding als Muttergesellschaft, die DEPFA und ihre Tochtergesellschaften und drei Tochterbanken (und deren Tochtergesellschaften, Niederlassungen und Beteiligungsgesellschaften). Innerhalb der Hypo Real Estate Group haben die Hypo Real Estate Holding, die DEPFA und ihre Tochterbanken die folgenden Funktionen:

- Hypo Real Estate Holding ist eine strategische und finanzielle Holdinggesellschaft, die selbst keine Bankgeschäfte tätigt. Hypo Real Estate Holding ist verantwortlich für die Geschäftspolitik und das strategische Management der Hypo Real Estate Group. Alle zentralen gesellschaftlichen Funktionen mit Bezug auf die Gruppe als ganzes sind bei der Holdinggesellschaft konzentriert. Dies schließt ein zentrales aktives Portfoliomanagement und die Zusammenlegung von Risikostrategie- und Risikomanagementaktivitäten ein.
- Die DEPFA Group wird das Kompetenzzentrum für Staats- und Infrastrukturfinanzierungen sowie für die Geschäftsfelder Capital Markets und Asset Manage-

ment sein. DEPFA betreibt vorwiegend das Geschäftssegment „Public Sector & Infrastructure Finance“. Mit dem Transfer der Hypo Public Finance Bank, Dublin, von der Hypo Real Estate Bank International auf die DEPFA wurden die früheren Aktivitäten der Hypo Public Finance Bank in diesem Bereich in die DEPFA Gruppe integriert.

- Die Hypo Real Estate Bank International betreibt das internationale Immobilienfinanzierungsgeschäft der Hypo Real Estate Group, welches, zusammen mit dem nationalen Immobilienfinanzierungsgeschäft der Emittentin von dem Geschäftssegment „Commercial Real Estate Finance“ der Hypo Real Estate Group umfasst ist.
- DEPFA Deutsche Pfandbriefbank betreibt das Geschäftssegment „Public Sector & Infrastructure Finance“.
- Die Emittentin konzentriert sich auf das deutsche Immobilienfinanzierungsgeschäft innerhalb der Hypo Real Estate Group.

Es ist zudem geplant, die Hypo Real Estate Bank International mit der Emittentin zu verschmelzen, um das gewerbliche Immobilienfinanzierungsgeschäft in der neuen Gruppenstruktur der Hypo Real Estate Group in einer einzigen juristischen Einheit in München zu konzentrieren.

#### **Geschäftsüberblick**

Als Kompetenzzentrum innerhalb der Hypo Real Estate Group für den deutschen Markt zielt die Emittentin für das Neugeschäft primär auf professionelle Immobilieninvestoren, Wohnungsbaugesellschaften, Bauträger und Immobilienfonds ab. Die Emittentin richtet sich sowohl an inländische Investoren wie auch an internationale Kunden, die in den deutschen Immobilienmarkt investieren wollen. Die Emittentin bietet eine umfassende Bandbreite von Finanzdienstleistungen für gewerbsmäßige Immobilientransaktionen, welche z.B. Senior Lendings, Mezzanine Finanzierungen, Portfoliofinanzierungen, Finanzierungen von Immobiliengesellschaften, Bauträgerfinanzierungen, Syndizierungen und Securitisation einschließen. Darüber hinaus bietet die Emittentin innovative Derivateprodukte an.

#### **Trendinformationen**

Soweit nicht in diesem Debt Issuance Program Prospectus dargestellt, sind seit dem letzten geprüften und veröffentlichten Jahresabschluss der Emittentin für das am 31. Dezember 2007 beendete Geschäftsjahr keine nachteiligen Veränderungen in Bezug auf die Geschäftsaussichten der Emittentin eingetreten.

Unter den derzeitigen Marktbedingungen ist nicht möglich, die kurzfristigen Rahmenbedingungen der Kapital- und Finanzierungsmärkte verlässlich einzuschätzen. Während die Emittentin im Segment „Commercial Real Estate“ mit einer stabilen Portfolioentwicklung im Jahr 2008 rechnet, bestehen sowohl Chancen als auch Risiken, die die Geschäftsentwicklung in der Zukunft beeinflussen können. Unter anderem die Vergrößerung der Cross-Selling Potentiale zusammen mit dem verminderten Wettbewerb im aktuellen Marktumfeld können einen positiven Effekt haben, wohingegen das Übergreifen der U.S. Subprime Krise auf andere Immobilienmärkte, die anhaltende Krise im Refinanzierungsmarkt, und die beschleunigte Liquidation von strukturierten Produkten, wie zum Beispiel CDOs, zusammen mit weiteren negativen Einwirkungen auf den Wert dieser strukturierten Produkte, negative Auswirkungen haben können.

#### **Großaktionäre**

Die Emittentin ist eine 100%-ige Tochtergesellschaft der Hypo Real Estate Holding.

#### **Historische Finanzinformationen**

Die folgende Tabelle enthält einen Überblick über die wichtigsten Geschäftszahlen der zum 31. Dezember 2007 bzw. zum 31. Dezember 2006 endenden Geschäftsjahre:

<b>Erfolgszahlen (HGB)</b>		<b>2007</b>	<b>2006</b>
Ergebnis vor Steuern	in Mio. €	47	64
Ergebnis nach Steuern	in Mio. €	40	129
<b>Bilanzzahlen (HGB)</b>			
Bilanzsumme	in Mrd. €	73	74
Bilanzielles Eigenkapital (inkl. Fonds für allgemeine Bankrisiken)	in Mrd. €	2	2
<b>Portfoliozahlen</b>			
Immobilienfinanzierungsneugeschäft <sup>1)</sup>	in Mrd. €	12	7
Volumen Immobilienfinanzierungen <sup>2)</sup>	in Mrd. €	28	23
Volumen Staatsfinanzierungen	in Mrd. €	24	32

1) Immobilienfinanzierungen ohne Off-balance-sheet-Geschäft

2) Zielgeschäft

<b>Prüfung der historischen Finanzinformationen</b>	Die Abschlussprüfer der Emittentin haben jeweils die Jahresabschlüsse für das am 31. Dezember 2006 und das am 31. Dezember 2007 beendete Geschäftsjahr geprüft und jeweils einen uneingeschränkten Bestätigungsvermerk erteilt.
<b>Zwischenberichte und sonstige Finanzinformationen</b>	Die Emittentin hat seit dem Datum ihres zuletzt geprüften Jahresabschlusses keine Zwischenberichte veröffentlicht.
<b>Prozesse und Schiedsgerichtsverfahren</b>	Abgesehen von einer in diesem Emissionsprogrammprospekt erläuterten Klage gegen die HVB, ist die Emittentin an keinen Prozessen oder Schiedsgerichtsverfahren beteiligt, die sich wesentlich auf ihre wirtschaftliche Position auswirken könnten.
<b>Wesentliche Änderung der Finanzlage der Emittentin</b>	Soweit nicht in diesem Emissionsprogrammprospekt erläutert gab es seit dem Datum des zuletzt geprüften Jahresabschlusses (31. Dezember 2007) keine wesentlichen Veränderungen der Finanzlage der Emittentin.
<b>Wesentliche Verträge</b>	Im August 2007 hat die Emittentin ein Portfolio nicht-strategischer Finanzierungen an die ING-DiBa Services GmbH verkauft.
<b>Geplante Verschmelzung der Hypo Real Estate Bank International mit der Emittentin</b>	Am 7. Mai 2008 haben die Vorstände und am 9. Mai 2008 die Aufsichtsräte der Emittentin und der Hypo Real Estate Bank International den Beschluss gefasst, die Hypo Real Estate Bank International und die Emittentin, wie bereits vorher erwogen, zu verschmelzen. Entsprechend dieser Entscheidung ist es geplant, dass die Emittentin als übernehmende Einheit im Wege der Gesamtrechtsnachfolge die Rechtsnachfolgerin der Hypo Real Estate Bank International als der übertragenden Einheit wird. Die Verschmelzung wird rechtlich mit Eintragung im Handelsregister der Emittentin wirksam. Sollte der Antrag auf Eintragung in das Handelsregister spätestens bis zum 31. August 2008 gestellt werden, würde die Verschmelzung wirtschaftlich rückwirkend ab dem 1. Januar 2008 wirksam.

#### 4. ZUSAMMENFASSUNG DER BESCHREIBUNG DER SCHULDVERSCHREIBUNGEN

<b>Währungen</b>	Vorbehaltlich aller geltenden gesetzlichen und aufsichtsrechtlichen Vorschriften, bei Ausgabe von Pfandbriefen einschließlich des Pfandbriefgesetzes, können die Schuldverschreibungen auf alle Währungen oder Währungseinheiten (einschließlich Euro, Britisches Pfund, Schweizer Franken, US-Dollar, Japanischer Yen o.a.) lauten, die zwischen Emittentin und Plazeur unter Einhaltung aller gesetzlichen und aufsichtsrechtlichen Bestimmungen jeweils vereinbart werden können.
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## **Stückelungen**

Die Stückelung der Schuldverschreibungen erfolgt auf der Grundlage der jeweiligen Vereinbarung zwischen der Emittentin und dem betreffenden Plazeur und wird in den betreffenden Endgültigen Bedingungen angegeben, mit der Maßgabe, dass die Mindeststückelung der Schuldverschreibungen so ist, wie dies jeweils von der betreffenden Zentralbank (oder einer vergleichbaren Behörde) gestattet oder verlangt wird, oder wie dies laut Gesetz oder sonstigen Vorschriften, die auf die betreffende Währung Anwendung finden, zulässig oder erforderlich ist.

Schuldverschreibungen, die unter der Bedingung ausgegeben werden, dass sie vor Ablauf eines Jahres ab Ausgabe zurückgezahlt werden müssen, können in Bezug auf Stückelung und Vertrieb besonderen Beschränkungen unterliegen.

In allen Fällen wird die Mindeststückelung jeweils Euro 1.000 betragen.

## **Laufzeiten**

Die Laufzeiten der Schuldverschreibungen werden jeweils zwischen der Emittentin und dem betreffenden Plazeur vereinbart und in den maßgeblichen Endgültigen Bedingungen angegeben, vorbehaltlich von minimalen und maximalen Laufzeiten, wie sie jeweils von der betreffenden Zentralbank (oder einer vergleichbaren Behörde) gestattet oder verlangt werden oder die laut Gesetz oder sonstiger Rechtsvorschriften, die auf die Emittentin oder die betreffende Währung Anwendung finden, zulässig oder erforderlich sind.

## **Ausgabepreis**

Die Schuldverschreibungen können zu ihrem Nennwert, mit einem Abschlag oder einem Aufschlag begeben werden.

## **Form von Schuldverschreibungen**

Schuldverschreibungen können in Form von Inhaberpapieren begeben werden; Pfandbriefe können in Form von Inhaber- oder Namenspapieren begeben werden. Schuldverschreibungen in Inhaberform („Inhaberschuldverschreibungen“), welche mit dem gleichen Datum ausgegeben werden und in jeder Hinsicht identisch sind (inklusive ihres Listings), stellen eine „Tranche“ dar. Wenn angegeben, bildet eine Tranche von Inhaberschuldverschreibungen zusammen mit einer oder mehreren weiteren Tranchen von Inhaberschuldverschreibungen, die (i) ausdrücklich zusammengefasst und eine Serie bilden sollen und (ii) in jeder Hinsicht (inklusive ihres Listings), außer im Hinblick auf ihr Ausgabedatum, den Verzinsungsbeginn und/oder ihren Ausgabepreis, identisch sind, eine einzelne fungible Serie (eine „Serie“). Inhaberschuldverschreibungen, auf die die *U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c)* (die „TEFRA C Rules“) Anwendung findet, („TEFRA C-Schuldverschreibungen“) werden entweder anfänglich durch eine auf den Inhaber lautende vorläufige Globalurkunde ohne Zinsscheine, welche auf einen anfänglichen Nennbetrag lautet, der dem Gesamtnennbetrag dieser Schuldverschreibungen entspricht, („vorläufige Globalurkunde“) oder dauerhaft durch eine auf den Inhaber lautende Dauerglobalurkunde ohne Zinsscheine, welche auf einen Nennbetrag lautet, der dem Gesamtnennbetrag dieser Schuldverschreibungen entspricht („Dauerglobalurkunde“), verbrieft. Jede vorläufige Globalurkunde wird entweder gegen auf den Inhaber lautende Einzelurkunden („Einzelurkunden“) mit Zins- und Erneuerungsscheinen (falls zutreffend) oder, soweit von Euroclear Bank SA/NV („Euroclear“) und Clearstream Banking, société anonyme, Luxembourg („Clearstream, Luxembourg“) und/oder dem entsprechenden alternativen Clearing-System gestattet, teilweise gegen Einzelurkunden und teilweise gegen eine oder mehrere auf den Inhaber lautende Sammelglobalurkunde(n) („Sammelglobalurkunden“) mit Zins- und Erneuerungsscheinen (falls zutreffend) ausgetauscht.

Inhaberschuldverschreibungen, auf die die *U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D)* (die „TEFRA D Rules“) Anwendung findet („TEFRA D-Schuldverschreibungen“), werden anfänglich durch eine vorläufige Globalurkunde verbrieft. Diese Globalurkunde wird frühestens an dem Tag, der 40 Tage nach dem Ausgabedatum liegt, nach Vorlage einer Bescheinigung mittels eines bei der Emissionsstelle jeweils erhältlichen Formulars, die besagt, dass der oder die wirtschaftli-

che(n) Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine US-Person(en) ist/sind, gegen eine Dauerglobalurkunde oder Einzelkunden oder teilweise gegen Einzelkunden und teilweise gegen eine oder mehrere Sammelglobalurkunden ausgetauscht.

Inhaberschuldverschreibungen, auf die weder die *TEFRA C Rules* noch die *TEFRA D Rules* Anwendung finden, werden entweder anfänglich durch eine vorläufige Globalurkunde oder dauerhaft durch eine Dauerglobalurkunde verbrieft. Eine vorläufige Globalurkunde wird entweder gegen Einzelkunden oder, sofern vom jeweiligen Clearing-System gestattet, teilweise gegen Einzelkunden und teilweise gegen eine oder mehrere Sammelglobalurkunden ausgetauscht.

Pfandbriefe, die in Form von Inhaberpapieren ausgegeben werden und auf die die *TEFRA C Rules* Anwendung finden, werden durch einen auf den Inhaber lautenden Dauerglobalpfandbrief ohne Zinsscheine, dessen Nennbetrag dem Gesamtnennbetrag aller Pfandbriefe dieser Art entspricht, („Dauerglobalpfandbrief“) verbrieft.

Pfandbriefe, die in Form von Inhaberpapieren ausgegeben werden und auf die die *TEFRA D Rules* Anwendung finden, werden anfänglich durch einen vorläufigen auf den Inhaber lautenden Globalpfandbrief ohne Zinsscheine, dessen Nennbetrag dem Gesamtnennbetrag aller Pfandbriefe dieser Art entspricht, („vorläufiger Globalpfandbrief“) verbrieft. Vorläufige Globalpfandbriefe werden frühestens an dem Tag, der 40 Tage nach dem Ausgabedatum liegt, nach Vorlage einer Bescheinigung mittels des bei der Emissionsstelle jeweils erhältlichen Formulars, die besagt, dass der oder die wirtschaftliche(n) Eigentümer der durch den vorläufigen Globalpfandbrief verbrieften Schuldverschreibungen keine US-Person(en) ist/sind, gegen einen Dauerglobalpfandbrief ausgetauscht.

Auf den Inhaber lautende Pfandbriefe, auf die weder die *TEFRA C Rules* noch die *TEFRA D Rules* Anwendung finden, werden durch einen Dauerglobalpfandbrief verbrieft.

Dauerglobalurkunden, vorläufige Globalpfandbriefe und Dauerglobalpfandbriefe werden nicht gegen Einzelkunden oder Sammelglobalurkunden ausgetauscht.

In dieser Zusammenfassung bezeichnet der Begriff „Globalurkunde“ eine vorläufige Globalurkunde, eine Dauerglobalurkunde, einen vorläufigen Globalpfandbrief oder einen Dauerglobalpfandbrief.

Pfandbriefe, die in Form von Namenspapieren ausgegeben werden, werden durch einen Namenspfandbrief ohne Zinsscheine verbrieft, der auf einen Nennbetrag lautet, welcher dem Gesamtnennbetrag dieser Pfandbriefe entspricht („Namenspfandbrief“).

Die Schuldverschreibungen können auch in einer New Global Note ausgegeben werden. Wertpapiere in der New Global Note Form können bei einer Geschäftsbank als common safekeeper oder bei einem ICSD als common safekeeper hinterlegt werden, aber nur New Global Notes, die bei letzterem hinterlegt werden, erlangen (unter bestimmten Voraussetzungen) EZB-fähigkeit. In den Endgültigen Bedingungen wird angegeben, ob die Schuldverschreibungen als Classical Global Note oder New Global Note ausgegeben werden.

## **Pfandbriefe**

Die Emittentin kann Pfandbriefe als Hypothekenpfandbriefe oder Öffentliche Pfandbriefe begeben.

Hypothekenpfandbriefe und Öffentliche Pfandbriefe begründen Rückgriffsverbindlichkeiten der Emittentin. Sie sind durch jeweils getrennte Pools bestehend aus

Hypothekenkrediten (im Fall von Hypothekenspfandbriefen) oder öffentlichen Krediten (im Fall von Öffentlichen Pfandbriefen) gedeckt.

<b>Festverzinsliche Schuldverschreibungen</b>	Zinsen auf festverzinsliche Schuldverschreibungen sind nachträglich auf der Grundlage und zu den Zeitpunkten wie jeweils zwischen der Emittentin und dem betreffenden Plazeur vereinbart (und in den maßgeblichen Endgültigen Bedingungen angegeben) und bei Rückgabe zahlbar.
<b>Variabel verzinsliche Schuldverschreibungen</b>	<p>Der Zinssatz, zu dem variabel verzinsliche Schuldverschreibungen verzinst werden, wird auf derselben Grundlage ermittelt wie ein variabler Zinssatz im Rahmen einer fiktiven Zins-Swap-Transaktion in der jeweils festgelegten Währung, die unter einem Vertrag, welcher die von der <i>International Swaps and Derivatives Association, Inc.</i>, herausgegebenen <i>2006 ISDA Definitions</i> in ihrer jeweils gültigen Fassung enthält, geschlossen wird, oder auf Grundlage eines auf einer festgelegten Seite eines kommerziellen Kursinformationssystems veröffentlichten Referenzzinssatzes oder auf einer anderen jeweils von der Emittentin und dem betreffenden Plazeur vereinbarten (und in den Endgültigen Bedingungen angegebenen) Grundlage. Variabel verzinsliche Schuldverschreibungen können auch einen maximalen Zinssatz, einen minimalen Zinssatz oder beides aufweisen.</p> <p>Eine etwaige Marge bezogen auf einen solchen variablen Zinssatz wird zwischen der Emittentin und dem betreffenden Plazeur für jede Emission von variabel verzinslichen Schuldverschreibungen festgelegt.</p> <p>Zinsen auf variabel verzinsliche Schuldverschreibungen sind nachträglich auf der Grundlage und zu den Zeitpunkten, wie jeweils zwischen der Emittentin und dem betreffenden Plazeur vereinbart (und in den maßgeblichen Endgültigen Bedingungen angegeben) zahlbar.</p>
<b>Indexierte Schuldverschreibungen</b>	Zahlungen von Zinsen in Bezug auf Schuldverschreibungen mit indexabhängiger Verzinsung oder von Kapital in Bezug auf Schuldverschreibungen mit Index abhängiger Rückzahlung werden durch Bezugnahme auf einen solchen Index oder andere(n) Faktor und/oder Formel, wie von der Emittentin und dem betreffenden Plazeur jeweils vereinbart (und in den maßgeblichen Endgültigen Bedingungen angegeben), berechnet.
<b>Andere Bestimmungen in Bezug auf variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit Index abhängiger Verzinsung</b>	Variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit indexabhängiger Verzinsung können einen maximalen Zinssatz, einen minimalen Zinssatz oder beides aufweisen. Zinsen auf variabel verzinsliche Schuldverschreibungen und Schuldverschreibungen mit indexabhängiger Verzinsung sind in Bezug auf jede vor Ausgabe der Schuldverschreibungen von der Emittentin und dem(n) betreffenden Plazeur(en) festgelegten Zinsperiode an den Zinszahlungstagen fällig, die in den maßgeblichen Endgültigen Bedingungen angegeben oder gemäß diesen Bedingungen bestimmt werden, und sind gemäß den maßgeblichen Endgültigen Bedingungen zu berechnen.
<b>Doppelwährungs-Schuldverschreibungen</b>	Zahlungen (von Kapital oder Zinsen, sei es bei Fälligkeit oder zu einem anderen Zeitpunkt) auf Doppelwährungs-Schuldverschreibungen erfolgen in der Währung und auf Grundlage der Wechselkurse, die zwischen der Emittentin und dem betreffenden Plazeur vereinbart und in den maßgeblichen Endgültigen Bedingungen angegeben sind.
<b>Nullkupon-Schuldverschreibungen</b>	Nullkupon-Schuldverschreibungen können mit einem Abschlag auf ihren Kapitalbetrag angeboten und verkauft werden. Sie werden, ausgenommen bei verspäteter Zahlung, nicht verzinst.
<b>Besteuerung</b>	Alle Zins- und Kapitalzahlungen unter den Schuldverschreibungen, die von der Emittentin zu tätigen sind, erfolgen ohne Abzüge für oder Einbehaltung von etwaigen

gegenwärtigen oder zukünftigen Steuern, Gebühren oder staatlichen Abgaben welcher Art auch immer, die (in Bezug auf alle Schuldverschreibungen) in oder von der Bundesrepublik Deutschland und (in Bezug auf Schuldverschreibungen, die durch eine ausländische Niederlassung (falls zutreffend) der Emittentin begeben werden) in oder von der Jurisdiktion, in der sich die jeweilige Niederlassung befindet, erhoben werden, es sei denn, eine solche Einbehaltung ist gesetzlich vorgeschrieben. In diesem Falle wird die Emittentin einen solchen zusätzlichen Betrag zahlen, der notwendig ist, um sicherzustellen, dass die Gläubiger der Schuldverschreibungen vorbehaltlich der handelsüblichen Ausnahmen den vollen auf den Schuldverschreibungen genannten Betrag erhalten.

Im Falle von Pfandbriefen ist die Emittentin nicht verpflichtet, zusätzliche Beträge für Steuern oder Gebühren, die wie oben beschrieben von Zins- oder Kapitalzahlungen einbehalten oder abgezogen werden, zu zahlen.

## **Rückzahlung**

Gemäß den maßgeblichen Endgültigen Bedingungen ist eine vorzeitige Rückzahlung der Schuldverschreibungen entweder ausgeschlossen (ausgenommen in festgelegten Raten (siehe unten) oder aus steuerlichen Gründen oder bei Eintritt eines Kündigungsgrundes) oder nach Wahl der Emittentin und/oder Gläubiger durch unwiderrufliche Mitteilung an die Gläubiger bzw. die Emittentin innerhalb einer Frist von höchstens 60 und mindestens 30 Tagen (oder einer anderen in den maßgeblichen Endgültigen Bedingungen genannten Frist) an dem Tag/den Tagen, der/die vor dem angegebenen Fälligkeitstermin festgelegt wird/werden, zu einem Preis/zu Preisen und zu solchen Bedingungen, wie in den maßgeblichen Endgültigen Bedingungen genannt, möglich.

Die Endgültigen Bedingungen können festlegen, dass die Schuldverschreibungen in zwei oder mehreren Raten in der Höhe und zu den Zeitpunkten zurückgezahlt werden können, wie jeweils in den Endgültigen Bedingungen angegeben.

Eine vorzeitige Rückzahlung von Pfandbriefen aus Steuergründen, bei Eintritt eines Kündigungsgrundes oder nach Wahl der Pfandbriefgläubiger ist nicht möglich.

## **Status der Schuldverschreibungen**

Sofern sie nicht gemäß ihren Endgültigen Bedingungen nachrangige Schuldverschreibungen sind, begründen die Schuldverschreibungen direkte, unbedingte, nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin und sind wenigstens gleichrangig allen anderen nicht besicherten Verbindlichkeiten der Emittentin, soweit diesen nicht durch gesetzliche Bestimmungen ein Vorrang eingeräumt wird (einschließlich Verbindlichkeiten aus Hypothekendarlehen oder öffentlichen Pfandbriefen, die von der Emittentin ausgegeben wurden).

Schuldverschreibungen, die als Pfandbriefe ausgegeben werden, begründen direkte, unbedingte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander gleichrangig und (i) im Falle von öffentlichen Pfandbriefen mindestens gleichrangig mit allen anderen Verbindlichkeiten der Emittentin aus öffentlichen Pfandbriefen und (ii) im Falle von Hypothekendarlehen mindestens gleichrangig mit allen anderen Verbindlichkeiten der Emittentin aus Hypothekendarlehen sind. Pfandbriefe sind durch jeweils getrennte Pools bestehend aus öffentlichen Krediten (bei öffentlichen Pfandbriefen) bzw. Hypothekendarlehen (bei Hypothekendarlehen) gedeckt.

Wenn die Schuldverschreibungen gemäß ihren Endgültigen Bedingungen nachrangige Schuldverschreibungen sind, (i) sind die Schuldverschreibungen direkte, unbedingte, nicht besicherte und nachrangige Verbindlichkeiten der Emittentin, die mindestens mit allen anderen nicht besicherten, nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind und (ii) sind die Ansprüche, die durch die Schuldverschreibungen begründet werden, nachrangig gegenüber den Ansprüchen aller anderen Gläubiger der Emittentin, die nicht auch nachrangig sind, wie in Bedingung 2 der Anleihebedingungen (Inhaberschuldverschreibungen) angegeben.

<b>Negativverpflichtung</b>	Keine.
<b>Cross Default-Klausel</b>	Keine.
<b>Geltendes Recht</b>	Deutsches Recht.
<b>Gerichtsstand</b>	Der nicht ausschließliche Gerichtsstand in Bezug auf Gerichtsverfahren, die im Zusammenhang mit diesen Schuldverschreibungen entstehen, ist München.

### **III. GENERAL DESCRIPTION OF THE PROGRAM**

On 24 October 2001, the Issuer entered into a Euro 25,000,000,000 Debt Issuance Program and issued an information memorandum on that date describing the Program. On 29 November 2002 and on 15 April 2004, the information memorandum was amended and restated. On 30 August 2005 the Program was updated and amendments for the first time as required in the course of the implementation of the Directive 2003/71/EC (the “Prospectus Directive”) and by the directly applicable Prospectus Regulation have been integrated in the Debt Issuance Program Prospectus. Furthermore, it has been updated on 15 May 2006 and on 11 May 2007. The date of this Debt Issuance Program Prospectus is 14 May 2008. This Debt Issuance Program Prospectus supersedes all previous information memoranda, prospectuses and supplements thereto. Any Notes to be issued after the date hereof under the Program are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

#### **1. ISSUES PROCEDURES**

Under the Program, the Issuer may from time to time issue Notes denominated in any currency or currency unit and having a maturity as may be agreed between the Issuer and the relevant Dealers and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the Issuer or the relevant Specified Currency. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the applicable Terms and Conditions (as defined below) or any alternative terms and conditions of the Notes attached to, endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms (if any) attached to, or endorsed on, or otherwise incorporated into, such Notes, as more fully described under Section IX. “Forms of Final Terms” below.

#### **2. PROGRAM AMOUNT**

This Debt Issuance Program Prospectus and any Supplement hereto will only be valid for issuing and/or listing Notes on the Luxembourg Stock Exchange in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed Euro 25,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Euro equivalent of the aggregate principal amount of Notes issued under the Program from time to time:

- (a) the Euro equivalent of Notes denominated in another Specified Currency (as defined under “Forms of Final Terms” below) shall be determined as of the date of the agreement to issue such Notes (the “Agreement Date”) on the basis of the mid price spot rate of REUTERS for the sale of Euro against the purchase of such Specified Currency;
- (b) the Euro equivalent of Dual Currency Notes (as defined under Section IX. “Forms of Final Terms” below) shall be calculated in the manner specified above by reference to the original principal amount of such Notes;
- (c) the Euro equivalent of Zero Coupon Notes (as defined under Section IX. “Forms of Final Terms” below) and other Notes issued at a discount shall be calculated in the manner specified above by reference to the principal amount of such Notes; and
- (d) the Euro equivalent of Partly-Paid Notes (as defined under Section IX. “Forms of Final Terms” below) shall be the principal amount regardless of the amount paid upon such Notes.

#### **3. USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for the Issuer’s general corporate purposes.

#### **4. AUTHORIZATION**

The establishment of the Program and the issue of Notes under the Program were duly authorized by a resolution of the Issuer’s management board dated 17 September 2001.

## **5. SUPPLEMENTS**

The Issuer has given an undertaking in connection with the listing of the Notes on the Luxembourg Stock Exchange to the effect that, so long as any Note remains outstanding and listed on such Exchange, or in connection with the public offering of Notes, so long as the Debt Issuance Program Prospectus is approved and the offer is not closed, in the event of every significant new factor, material mistake or inaccuracy to the information included in the Debt Issuance Program Prospectus which is capable of affecting the assessment of the Notes the Issuer will prepare a Supplement to the Debt Issuance Program Prospectus pursuant to Article 16 of the Prospectus Directive and Article 13 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) respectively (the “Supplement”) or publish a new Debt Issuance Program Prospectus for use in connection with any subsequent issue of Notes to be listed on the Luxembourg Stock Exchange. If the terms of the Program are modified or amended in a manner which would make the Debt Issuance Program Prospectus, as supplemented, inaccurate or misleading, a new Debt Issuance Program Prospectus will be prepared.

## **6. EUROCLEAR AND CLEARSTREAM, LUXEMBOURG**

The Bearer Notes, including Bearer Pfandbriefe, have been accepted for clearance through Euroclear Bank SA/NV (Euroclear Operator), 1 Boulevard du Roi Albert II, B-1210 Brussels (“Euroclear”) and/or Clearstream Banking S.A., Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”). The appropriate codes for each Tranche allocated by Euroclear and/or Clearstream, Luxembourg will be contained in the relevant Final Terms. The Issuer and the relevant Dealer(s) may agree to deposit, or otherwise arrange for the clearance of, Bearer Notes issued under the Program with or through an alternative clearing system, including Clearstream Banking AG, Neue Börsenstraße 1, D-60485 Frankfurt (“Clearstream, Frankfurt”). The relevant details of such alternative clearing system will be contained in the relevant Final Terms.

## **7. APPROVAL OF DEBT ISSUANCE PROGRAM PROSPECTUS AND NOTIFICATION**

Approval of this Debt Issuance Program Prospectus pursuant to Article 13 of the Directive 2003/71/EC (the “Prospectus Directive”) and Article 7 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) has only been sought from the Competent Authority and from no other competent authority in another Member State of the European Union or any other State which has or will implement the Prospectus Directive.

As at the date of this Debt Issuance Program Prospectus, a notification of the Debt Issuance Program Prospectus and of all Notes issued under the Program pursuant to Article 18 of the Prospectus Directive is not intended. However, the Issuer will decide from time to time whether it requests a notification pursuant to Article 18 of the Prospectus Directive and Article 19 of the Luxembourg Law on Prospectuses for Securities (*loi du 10 Juillet 2005 relative aux prospectus pour valeurs mobilières*) to other competent authorities, in particular in connection with a Tranche of Notes, as may be agreed by the Issuer and the relevant Dealer(s).

#### IV. RISK FACTORS

The following is a disclosure of risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective purchasers of Notes should consider these risk factors, together with the other information in this Debt Issuance Program Prospectus, before deciding to purchase Notes issued under the Program.

The following statements are not exhaustive. Prospective purchasers of Notes are also advised to consult their own tax advisors, legal advisors, accountants or other relevant advisors as to the risks associated with, and consequences of, the purchase, ownership and disposition of Notes, including the effect of any laws of each country of which they are residents. In addition, investors should be aware that the risks described may combine and thus intensify one another.

An attempt to quantify the risks relating to the Issuer and the Notes is undertaken by ratings. These ratings may not reflect the potential impact of all risks relating to the Issuer or the Notes. As at the date of this Debt Issuance Program Prospectus, the following ratings are available by Fitch Ratings Ltd. ("Fitch"), Moody's Investors Service Ltd. ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Dominion Bond Rating Service ("DBRS"):

<i>Type of Notes</i>	<i>Fitch</i>	<i>Moody's</i>	<i>S&amp;P</i>	<i>DBRS</i>
Public Pfandbriefe	AAA	Aaa	AAA	
Mortgage Pfandbriefe	AA+	Aa3 <sup>*)</sup>		
Short-term Notes	F1	P-1	A-1	R-1 (middle)
Long-term Senior Notes	A	A2	A	A(high)
Outlook	Stable	Stable	Negative	Stable
Subordinated Notes	A-	A3	A-	A

<sup>\*)</sup> Review for possible upgrade.

Notes to be issued under the Program may be rated or unrated. Where an issue of Notes is rated, its rating may not be the same as the rating applicable to the Program. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any negative change in the credit rating of the Issuer could adversely affect the trading price of the Notes. The current rating respectively is available via electronic information systems.



## **1. RISKS RELATING TO THE ISSUER**

The business model of the Issuer can generally entail risk factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Program. These risk factors can be divided into the following categories:

### **Credit Risk**

Credit risk refers to the loss in value, or alternatively partial or complete write-down, of a receivable as a result of default or deterioration in the creditworthiness of a counterparty. Credit risk also comprises counterparty risk, country risk, collateral risk, settlement risk, and issuer risk.

Counterparty risks include possible losses on interest- and foreign currency-based derivatives and forward transactions.

Country risks include the risk of possible transfer and conversion problems, i.e. the risk that the government of a state may take measures that restrict the cross-border transfer of capital and/or the procurement of currency. Country risk also includes the risk of the default or deterioration in credit standing of a country.

Collateral risk is the risk of a deterioration in the value of collateral for reasons attributable to the property that is being financed, and/or changes in the relevant market.

Settlement risk is the risk that, following delivery or payment by the Issuer, the counterparty fails to make the agreed counter-performance.

Issuer risk is the risk of partial or total loss of receivables from investment securities such as profit-share rights or other bonds due to the default of the Issuer.

### **Market Risk**

Market risk is related to the risk of a loss due to the volatility of market prices of financial instruments. It includes among others the risk of potential loss arising by changes in market conditions, i.e. interest rate risk, credit spread risk and exchange-rate risk.

### **Market Liquidity Risk and Liquidity Risk**

Market liquidity risks comprise the risk that the Issuer is unable to sell positions in markets at values entered in the evaluation procedures, but instead is obliged to accept valuation discounts, or alternatively fail to locate a purchaser.

Liquidity risk refers to the possible inability to fulfil financial obligations at any given time. The observation horizons are split into short-term horizon which corresponds to liquidity risk in the narrower sense, medium-term horizon and long-term horizon, which refers to refinancing or funding risk.

Under extreme market conditions the sale of bonds may become temporarily impossible. Furthermore, a decrease in creditworthiness of the Issuer or an increase in the risk positions of its financing portfolios may have the same effect for unsecured bonds and money market instruments. This may also affect the issuance of Pfandbriefe as it cannot be excluded that also the refinancing costs for the issuance of Pfandbriefe increase, in particular if the value of the assets in the cover pool deteriorates. In case the current downturn in the capital market continues, it is possible that the Issuer could in the future have limited access to senior unsecured funding.

### **Operational Risks**

Operational risk describes the risk of losses arising from insufficient or erroneous internal processes, employees, and systems, as well as external events. It is caused by human errors, systems failures and insufficient controls and processes. Legal risks are also part of the operational risk.

### **Business Risk**

Business risk refers to loss due to changes in the external business environment that affect the business activities of the Issuer. The business risk is related to the fact that the Issuer's origination unit may not be able

to provide a steady flow of new business, and, in general, to increased competition. Furthermore, the Issuer might stop its lending activities if it concludes that the financing terms in a particular market do not adequately reflect the risks.

In the context of the current crisis of the U.S. subprime mortgage market it cannot be excluded that the crisis might spill over to other financial markets and, thus, could have a negative impact on new business, refinancing, the securitisation business, trading activities and, thus, the net assets, financial position and earnings situation of the Issuer.

### **Real Estate Risk**

Real estate risk refers to the risk of a market price decline in the Issuer's own holdings of real estate.

### **Equity Risk**

Equity risk comprises value changes in the equity holdings of the Issuer.

### **Acquisition of DEPPFA BANK plc**

The acquisition of DEPPFA has a significant impact on the individual members of the Hypo Real Estate Group, as Hypo Real Estate Holding reorganises Hypo Real Estate Group. The strategy of sustained growth of the business of Hypo Real Estate Group through the acquisition of DEPPFA may fail and anticipated synergy effects within Hypo Real Estate Group may not materialise. In addition, the financial condition and future earnings potential of the Issuer could be materially adversely affected by the reorganisation. Further risks arise from potential disruptions in the conduct of business and additional costs within Hypo Real Estate Group and for the Issuer due to the reorganization of Hypo Real Estate Group and from a potential deterioration of the ratings of Hypo Real Estate Group and the Issuer due to the acquisition of DEPPFA. Also, the acquisition of DEPPFA will increase the leverage of Hypo Real Estate Group and of the Issuer, which may result in increased refinancing costs

### **Risks relating to the Planned Merger of Hypo Real Estate Bank International with the Issuer**

If the planned merger of Hypo Real Estate Bank International with the Issuer is completed, the Issuer will be liable for the payment obligations of Hypo Real Estate Bank International (potentially with retroactive effect depending on the time of the registration in the commercial register). Consequently, the respective financial and earnings position of both, of the Issuer as the absorbing entity and of Hypo Real Estate Bank International, will have to be considered, so that a potentially weaker financial and earnings position of Hypo Real Estate Bank International might have an impact on the financial and earnings position of the Issuer - on a stand-alone basis - prior to the completion of the merger. Such consequences could result from a lower quality of assets, higher off-balance sheet exposures or other risks of Hypo Real Estate Bank International compared to the assets, exposures or risks of the Issuer or less favourable prospects of the business of Hypo Real Estate Bank International compared to the profitability and prospects of the business of the Issuer or other factors. Furthermore, there is the risk that anticipated synergy effects for the merged entity may not materialise. Further risks arise from potential disruptions in the conduct of business and from a potential deterioration of the ratings of the merged entity due to the merger compared to the current rating of the Issuer.

### **Risk relating to Structured Products**

As part of its loan replacement business, the Issuer has a legacy portfolio of structured securities that are held as assets. In line with the strategy, no new business is conducted in this area. As at 31 December 2007, the Issuer has an exposure totalling a nominal volume of Euro 3,822.5 million in structured products of which Euro 881.9 million are exposures in CDOs attributable to the U.S. market. It can not be excluded that an accelerated liquidation of structured products, induced in part by the market, may lead to further value impairments.

Detailed information on risks and the Issuers's risk management tools is contained in the Risk Report as part of the Issuer's Annual Report 2007 on pages 13 to 31 (see Section XIV. "Incorporation by Refer-

ence”).

## **2. RISKS RELATING TO THE NOTES**

Risk factors relating to the Notes can be divided into the following categories.

### **General Risks Relating to the Notes**

#### *Independent Review and Advice*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Debt Issuance Program Prospectus or any applicable supplement;
- b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- d) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolio. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

#### *Liquidity Risk*

Application has been made to list and trade Notes to be issued under the Program on the regulated market (as defined by Directive 2004/39/EC) of the Luxembourg Stock Exchange. In addition, the Program provides that Notes may be listed on an alternative stock exchange or may not be listed at all. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If the Notes are not listed on any stock exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

#### *Currency Risk/Dual Currency Notes*

A holder of a Note denominated in a foreign currency or a holder of Dual Currency Notes is exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments. A change in the value of any foreign currency against the euro, for example, will result in a corresponding change in the euro value of a Note denominated in a currency other than euro and a corresponding change in the euro value of interest and principal payments made

in a currency other than euro in accordance with the terms of such Note. If the underlying exchange rate falls and the value of the euro correspondingly rise, the price of the Note and the value of interest and principal payments made hereunder expressed in euro falls.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Market Price Risk*

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes. If the holder decides to hold the Notes until final maturity the Notes will be redeemed at the amount set out in the relevant Final Terms.

#### *Risk of Early Redemption*

The applicable Final Terms will indicate whether the Issuer may have the right to call the Notes prior to maturity for reasons of taxation or at the option of the Issuer (optional call right). If the Issuer redeems any Note prior to maturity, a holder of such Note is exposed to the risk that due to early redemption his investment may have a lower than expected yield. The Issuer might exercise his optional call right if the yield on comparable Notes in the capital market falls which means that the investor may only be able to reinvest the redemption proceeds in Notes with a lower yield.

#### *Subordinated Notes of the Issuer*

The Issuer may issue Subordinated Notes. The obligations of the Issuer in case of Subordinated Notes constitute unsecured and subordinated obligations. In the event of dissolution, liquidation, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts will be payable under such obligations until the claims of all unsubordinated creditors of the Issuer will have been satisfied in full. No holder may set off his claims arising under the Subordinated Notes against any claims of the Issuer. No security of whatever kind is, or will at any time be, provided by the Issuer or any other person securing rights of the holders under such Notes. No payment in respect of the Subordinated Notes (whether of principal, interest or otherwise) may be made by the Issuer if such payment would have the consequence that the own funds (*Eigenmittel*) of the Issuer would no longer meet the statutory requirements applicable from time to time; any payment made in violation of the foregoing must be repaid to the Issuer irrespective of any agreement to the contrary. No subsequent agreement may limit the subordination pursuant to the provisions set out in the relevant Terms and Conditions or change the Maturity Date in respect of the Notes to any earlier date or shorten any applicable notice period (*Kündigungsfrist*).

#### *Taxation*

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred to or of other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial Notes such as the Notes. In addition, potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor.

#### *Legality of Purchase*

Potential purchasers of the Notes should be aware that the lawfulness of the acquisition of the Notes might be subject to legal restrictions potentially affecting the validity of the purchase. Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisi-

tion of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different). A prospective purchaser may not rely on the Issuer, the Dealers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

#### *Change of Law*

The Terms and Conditions of the Notes are based on German law in effect as at the date of this Debt Issuance Program Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to German law or administrative practice after the date of this Debt Issuance Program Prospectus.

### **Risks Relating to Specific Types of Notes**

#### *Fixed Rate Notes*

A holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the current interest rate on the capital market (“market interest rate”) typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate of comparable issues. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the holder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such holder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note.

#### *Floating Rate Notes*

A holder of a Floating Rate Note is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of Floating Rate Notes in advance. Neither the current nor the historical value of the relevant floating rate should be taken as an indication of the future development of such floating rate during the term of any Notes.

#### *Zero Coupon Notes*

Zero Coupon Notes do not pay current interest but are typically issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

#### *Index-Linked Notes*

Index-Linked Notes may either be issued as Index-Linked Redemption Amount Notes or as Index-Linked Interest Notes or as a combination of both (together “Index-Linked Notes”), except for Pfandbriefe which may only be issued as Index-Linked Interest Notes. Redemption payments in respect of Index-Linked Redemption Amount Notes or of interest payment in respect of Index-Linked Interest Notes will be calculated by reference to such index (including for example currencies, commodities or securities exchange indices) or other factors (including for example changes in inflation rates) and/or such formula as the Issuer and the relevant Dealer may agree (as set out in the relevant Final Terms). An investment in Index-Linked Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of Index-Linked Interest Notes is so linked to an index, other factor and/or formula, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued at the same time, including the possibility that no interest will be paid, and if the principal amount of Index-Linked Redemption Amount Note is so linked to an index, other factor and/or formula, the principal amount payable at maturity may be less than the original purchase price of Index-Linked Notes if allowed

pursuant to the terms of Index-Linked Notes, including the possibility that no redemption payment will be made. The secondary market for Index-Linked Notes will be affected by a number of parameters, independent of the creditworthiness of the Issuer and the value of the applicable index or other factor and/or formula, including the volatility of the applicable index, other factor and/or formula, the time remaining to the maturity of Index-Linked Notes, the amount outstanding of Index-Linked Notes and market interest rates. Therefore, investors should be aware that the market price of Index-Linked Notes may be highly volatile (depending on the volatility of the relevant index, other factor and/or formula). The value of the applicable index, other factor and/or formula depends on a number of interrelated parameters, including economic, financial and political events, over which the Issuer has no control. Additionally, if the formula used to determine the redemption amount or interest payable with respect to Index-Linked Notes contains a multiple or leverage factor, the effect of any change in the applicable index, other factor and/or formula will be increased. Neither the current nor the historic performance of the relevant index, other factor and/or formula should not be taken as an indication of the future performance of such index, other factor and/or formula during the term of Index-Linked Notes. The more volatile the relevant index is, the greater is the uncertainty in respect of interest income and redemption amount. Uncertainty with respect to interest and redemption amount make it impossible to determine the yield of Index-Linked Notes in advance.

### *Pfandbriefe*

In principle, the same risks described under this section apply to Pfandbriefe issued under the Program subject to several exemptions such as: (i) The insolvency risk of the Issuer is mitigated by the fact that each of the Mortgage Pfandbriefe (*Hypothekenspfandbriefe*) and the Public Pfandbriefe (*Öffentliche Pfandbriefe*) are covered by separate pools of assets which are not part of the insolvency estate of the Issuer, if insolvency proceedings are opened over the assets of the Issuer (see Section X. “German Pfandbriefe and the German Mortgage Banking Sector”) and (ii) the structuring of Pfandbriefe with respect to the redemption amount is restricted, i. e. the repayment of the principal amount is fixed on the day of the issue.

## V. HYPO REAL ESTATE BANK AG

### 1. STATUTORY AUDITORS

Independent auditors of the Issuer for the financial year ended 31 December 2006 were Bayerische Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Ganghoferstrasse 29, 80339 Munich, Germany (“Bayerische Treuhandgesellschaft AG”). They have audited the financial statements of the Issuer as of 31 December 2006 and given their unqualified opinion (*Bestätigungsvermerk*).

Independent auditors of the Issuer for the financial year ended 31 December 2007 were KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 München, Germany (“KPMG Deutsche Treuhand-Gesellschaft AG”). They have audited the financial statements of the Issuer as of 31 December 2007 and given their unqualified opinion (*Bestätigungsvermerk*).

Bayerische Treuhandgesellschaft AG and KPMG Deutsche Treuhand-Gesellschaft AG are members of the German certified public accountants association (*Wirtschaftsprüferkammer*).

### 2. INFORMATION ABOUT THE ISSUER

#### General Information

The Issuer acts under its legal name “Hypo Real Estate Bank Aktiengesellschaft”.

The Issuer is incorporated as a stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany. It is registered with the commercial register in Munich under number HRB 41054. It was formed by the merger of two mixed mortgage banks (*gemischte Hypothekenbanken*), i.e. Bayerische Handelsbank AG and Nürnberger Hypothekenbank AG, and one mortgage bank (*Hypothekenbank*), i.e., Süddeutsche Bodencreditbank AG, on 3 September 2001, with retroactive effect as of 1 January 2001. At this time the legal name of the Issuer was “HVB Real Estate Bank AG”. On 30 September 2003, the name was changed into “Hypo Real Estate Bank AG”. On 3 November 2003, Westfälische Hypothekenbank AG, a former subsidiary of the Issuer, was merged into the Issuer. The merger became effective retroactively as of 1 January 2003.

The Issuer has its registered office at Von-der-Tann-Strasse 2, D-80539 Munich. Its telephone number is +49 89 2880 0.

#### Integration into Hypo Real Estate Group

The Issuer is part of Hypo Real Estate Group (as defined below) and its direct and indirect consolidated subsidiaries, affiliates and associated companies, together, the “Hypo Real Estate Group”). Hypo Real Estate Group was formed in the course of the spin-off of a major part of the commercial real estate financing business of Bayerische Hypo- und Vereinsbank AG (“HVB AG”) and its consolidated subsidiaries (“HVB Group”). Following to risk-shelter provided by HVB in the spin-off, the Issuer will be obligated to pay to HVB AG 35 per cent. of any income arising from the release of specific loan loss provisions in fiscal years 2005 through 2009, provided that such payments may not exceed the amount of indemnification actually paid by HVB AG.

A further milestone in the development of Hypo Real Estate Group (as defined below) occurred in autumn 2007. On 2 October 2007, the High Court of Ireland has approved the scheme of arrangement, according to which Hypo Real Estate Holding AG (“Hypo Real Estate Holding”) has pursued the acquisition of all issued shares in DEPFA Bank plc (“DEPFA”), and, thus, the acquisition of DEPFA by Hypo Real Estate Holding has been successfully completed. As a result of the acquisition, DEPFA became a wholly-owned subsidiary of Hypo Real Estate Holding and as such will continue to exist with its brand.

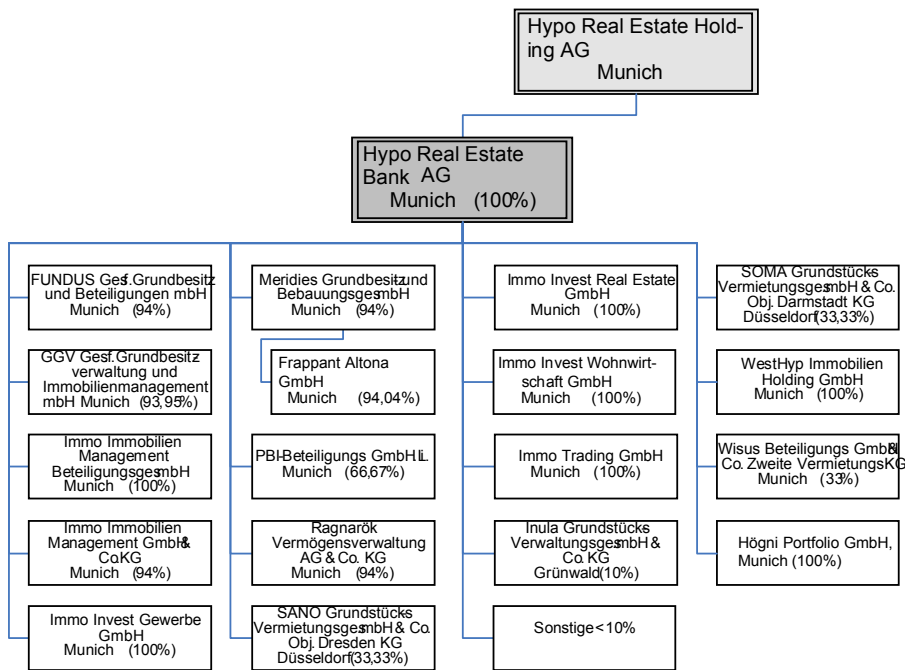
As at the date of this Debt Issuance Program Prospectus, Hypo Real Estate Group includes the parent company Hypo Real Estate Holding AG, DEPFA and its subsidiaries (DEPFA together with its subsidiaries, the “DEPFA Group”) and three subsidiary banks (and their subsidiaries, affiliates and associated companies) (together, the “Hypo Real Estate Group”). Within Hypo Real Estate Group, Hypo Real Estate Holding, DEPFA and the subsidiary banks have the following roles:

- Hypo Real Estate Holding is a strategic and financial holding company which does not have any banking operations itself. Hypo Real Estate Holding is responsible for the business policy and the strategic management of Hypo Real Estate Group. All corporate centre functions relating to the group as a whole are concentrated in Hypo Real Estate Holding. This includes central active portfolio management and the pooling of risk strategy and management activities (for more details on Hypo Real Estate Group see Section V.10).
- Within Hypo Real Estate Group, DEPFA Group will become the centre of competence for public finance and infrastructure finance as well as for capital markets and asset management. DEPFA mainly conducts the business segment “Public Sector & Infrastructure Finance”. With the transfer of Hypo Public Finance Bank, Dublin, from Hypo Real Estate Bank International to DEPFA, that became effective at the end of the year 2007, the previous activities of Hypo Public Finance Bank in this area have been integrated into DEPFA Group.
- The Hypo Real Estate Bank International AG (formerly Württembergische Hypothekenbank AG) (“Hypo Real Estate Bank International”) conducts Hypo Real Estate Group’s international real estate finance activities which, together with the Issuer’s national real estate finance activities, comprises the business segment “Commercial Real Estate” of Hypo Real Estate Group.
- DEPFA Deutsche Pfandbrief Bank AG, which used to be a subsidiary of DEPFA, has been transferred to Hypo Real Estate Holding following to the completion of the acquisition of DEPFA. DEPFA Deutsche Pfandbrief Bank AG operates in the business segment “Public Sector & Infrastructure Finance”.
- the Issuer focuses on the German real estate financing business within Hypo Real Estate Group (for details see below).

In the new group structure of Hypo Real Estate Group following the acquisition, it is planned to merge Hypo Real Estate Bank International with the Issuer in order to concentrate the commercial real estate business in a single legal entity based in Munich (for details see Section IV.11. “Planned Merger of Hypo Real Estate Bank International with the Issuer”).

As at the date of this Debt Issuance Program Prospectus the position of the Issuer within Hypo Real Estate Group is as follows:





### Major Events

In August 2007, the Issuer sold a portfolio of non-strategic financing arrangements with a volume of approximately Euro 4.3 billion to ING-DiBa Services GmbH, a subsidiary of ING-DiBa AG. The transaction was completed on 30 November 2007.

Since 31 December 2007, the Issuer has acquired the first tranche of a portfolio of mortgaged backed securities in the total amount of Euro 977 million that was previously consolidated in Hypo Real Estate Group's consolidated financial statements. The second and third tranche have been acquired with effectiveness as of 19 February 2008 and 19 March 2008 respectively.

On 7 May 2008, the Management Boards and on 9 May 2008 the Supervisory Boards of the Issuer and of Hypo Real Estate Bank International, respectively, decided to proceed with the merger of Hypo Real Estate Bank International with the Issuer (for details and consequences see Section IV.11 "Planned Merger of Hypo Real Estate Bank International with the Issuer").

### 3. BUSINESS OVERVIEW

#### Principal Activities

As a centre of competence for the German market within Hypo Real Estate Group, the Issuer's target customers for new business include professional real estate investors, housing companies, property developers and real-estate funds. The Issuer targets both domestic investors and also international customers wishing to invest in the German real estate market. The Issuer offers a comprehensive range of financing services for professional real estate transactions, including for example senior lending, mezzanine financing, portfolio financing, financing for real estate companies and property developers, syndication and securitization. Furthermore, the Issuer offers innovative derivative products.

### *Property Financing*

The Issuer is focused on commercial real estate financing. As at 31 December 2007, the non-core real estate lending portfolio amounted to Euro 6.5 billion and the core real estate lending portfolio to Euro 27.5 billion (thereof, disbursed loans amounted to Euro 23.7 billion, compared with Euro 19.9 billion on 31 December 2006). The real estate lending portfolio of the Issuer is comprised predominantly of office and retail properties as well as commercial housing developments, whereas commercial real estate (office buildings) and commercially utilised real estate (mostly portfolio transactions) comprise three quarters of the commercial real estate portfolio and retail property represents 18 per cent. of the commercial real estate portfolio.

### *Public Sector Financing*

In the year 2007, the Issuer reduced its activities in public sector financing. The public sector financing declined by Euro 7.6 to Euro 24.1 billion. Important counterparties were the German Federal States (*Länder*) and the Federal Republic of Germany.

### *Funding*

Under the German Pfandbrief Act (*Pfandbriefgesetz*) all banks that have a licence pursuant to Article 2 Pfandbrief Act have the ability to issue special bonds, so-called Pfandbriefe. There are two important sources of funding, the Mortgage Pfandbrief (*Hypothekendarlehen*) and the Public Pfandbrief (*Öffentlicher Pfandbrief*). Principal of and interest on these bonds have to be covered at all times by a pool of assets supervised by an independent cover pool monitor. For this purpose Pfandbrief Banks use two independent registers: Mortgage Pfandbriefe are backed by qualified mortgage loans, Public Pfandbriefe are backed by public sector loans. Though the assets are listed in special registers, they remain in the Issuer's balance sheet. The Issuer funds the assets which are not eligible for any of the registers by senior unsecured bonds or other funding instruments (see Section X. "German Pfandbriefe and the German Mortgage Banking Sector").

With the sale of a non-strategic retail portfolio, which was to a large extent in the cover pool for mortgage bonds, issues of Mortgage Pfandbriefe played a subordinate role in 2007. In the year 2007, the Issuer placed Senior Unsecured Bonds amounting to Euro 9.7 billion on the market, most of which were issued in private placements, but also in a benchmark transaction amounting to Euro 1.5 billion with a term of 3 years in February 2007. In July 2007 the Issuer successfully placed a so called Slimbo for Euro 1 billion.

### *Current Strategy*

In the year 2007, the Issuer reduced its activities in public sector financing and the non-core real estate lending portfolio, the latter declined by Euro 4.7 billion (including the sale of the non-strategic portfolio of performing real estate loans to ING-DiBa Services GmbH) in line with Hypo Real Estate Group's business policy. New core real estate financing business amounted to Euro 12.3 billion and led to an increase of core real estate lending by Euro 4.3 billion.

### *Employees*

As at 31 December 2007, the Issuer had an annual average of 473 employees (including full-time, part-time employees and trainees).

### **Principal Markets**

The Issuer focuses on commercial real estate financing business in Germany. Approximately 96 per cent. of the real estate portfolio is concentrated on financing of German properties.

#### 4. ORGANISATIONAL STRUCTURE

##### Dependency of the Issuer within the Group

Hypo Real Estate Holding holds 100 per cent. of the shares in the Issuer. In accordance with Section 17 para. 2 of the German Stock Corporation Law (*Aktiengesetz*), it is assumed that a majority-owned enterprise is dependent on the company holding the majority interest.

##### Subsidiaries and Equity Interests

The following is a list of the Issuer's subsidiaries and equity participations in other companies, as of 31 December 2007, specifying the name of the subsidiary or other company, the Issuer's equity interest, the equity capital and the net income of the subsidiary or other company.

##### *Shares in affiliated companies*

<i>Name and registered office</i>	<i>Capital share in %</i>		<i>Shareholders Equity</i>	<i>Net income</i>	<i>Most recent financial statements</i>
	<i>§16 para. 4 AktG</i>	<i>thereof indirect</i>			
FUNDUS Gesellschaft für Grundbesitz und Beteiligungen mbH, Munich	94.00%		904	-233 <sup>1)</sup>	31 Dec. 2007
GGV Gesellschaft für Grundbesitzverwaltung und Immobilien-Management mbH, Munich	93.95%		2,072	-62 <sup>1)</sup>	31 Dec. 2007
Högni Portfolio GmbH, Munich	100.00%		25	0	31 Dec. 2006
IMMO Immobilien Management Beteiligungsgesellschaft mbH, Munich	100.00%		36	4	31 Dec. 2007
IMMO Immobilien Management GmbH & Co. KG, Munich	94.00%		116	298	31 Dec. 2007
IMMO Invest Gewerbe GmbH, Munich	100.00%		26	-1 <sup>1)</sup>	31 Dec. 2007
IMMO Invest Real Estate GmbH, Munich	100.00%		28	-1 <sup>1)</sup>	31 Dec. 2007
IMMO Invest Wohnwirtschaft GmbH, Munich	100.00%		23	-1 <sup>1)</sup>	31 Dec.2007
IMMO Trading GmbH, Munich	100.00%		525	47 <sup>1)</sup>	31 Dec.2007
Meridies Grundbesitz- und Baugesellschaft mbH, Munich	94.00%		78	-576 <sup>1)</sup>	31 Dec.2007
with the following investment:					
Frappant Altona GmbH, Munich	94.04%	94.04%	25	-561 <sup>1)</sup>	31 Dec.2007

PBI-Beteiligungs-GmbH i.L., Munich	66.67%	51,548	10	31 Dec.2006
Ragnarök Vermögensverwaltung AG&Co. KG, Munich	94.00%	2)	2)	31 Dec.2007
WestHyp Immobilien Holding GmbH, Munich	100.00%	629	30	31 Dec.2006

*Other participating interests*

<i>Name and registered office</i>	<i>Capital share in %</i>		<i>Sharehold- ers Equity</i>	<i>Net income</i>	
	<i>total</i>	<i>thereof</i>		<i>Euro thou- sand</i>	<i>Euro thou- sand</i>
	<i>§16 para. 4 AktG</i>	<i>indirect</i>			
SANO Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt Dresden KG, Düsseldorf	33.33%		-3,903	64	31 Dec.2006
SOMA Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG, Düsseldorf	33.33%		-7,085	-928	31 Dec.2006
WISUS Beteiligungs GmbH & Co. Zweite Vermietungs-KG, Munich	33.00%		-3,346	140	31 Dec.2007

All other investments are less than 20 per cent.

There are no other investments in large corporations where the holding exceeds 5 per cent. of voting rights (notification in accordance with § 340a (4) no. 2 HGB).

<sup>1)</sup> Profit absorbed by shareholder due to profit transfer agreement (At Meridies Grundbesitz- und Bebauungsgesellschaft mbH, Munich the loss of Frappant Altona GmbH, Munich of € -561 thousand is included in net income in addition to the company's own net income).

<sup>2)</sup> General partner liability.

## 5. TREND INFORMATION

Save as disclosed in this Debt Issuance Program Prospectus, there has been no material adverse change in the prospects of the Issuer since the date of its published audited financial statements for the year ended 31 December 2007.

It is difficult to forecast developments on the capital and financing markets due to the macroeconomic developments, where the international financing markets are still extremely fragile and, in certain areas, are not functioning or are only capable of functioning to a limited extent. Therefore fears that the financing crisis might also spill over to other areas of the economy have increased further so far in 2008. In addition, the consensus opinion of experts is that economic growth in the main economies will slow down in the course of the year. Consequently, it is not possible to make a reliable assessment of the conditions on the capital and financing markets in the near future.

While the Issuer expects a stable development of the portfolio in the segment commercial real estate in 2008, there are both chances and risks that may influence the business development in the future. Among others, the expansion of the cross-selling potential together with the reduced competition in the current market environment may have a positive effect whereas the spill-over of the U.S. subprime crisis to other real estate markets, the continuing crisis of refinancing markets and the accelerated liquidation of structured products, such as CDOs, combined with the further negative impact of the values of those structured products may have a negative impact. For example, in the first quarter 2008, the negative impact from impairments and decreasing values of CDOs was Euro 166 million. In this context, it is not possible to preclude the possibility of further problems for the financial sector - and thus for the Issuer - in the course of the next

few quarters.

## 6. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

The corporate bodies of the Issuer are:

- (i) the Management Board (Vorstand);
- (ii) the Supervisory Board (Aufsichtsrat); and
- (iii) the General Meeting of Shareholders.

### The Management Board

In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents the Issuer and is responsible for its management.

As at the date of this Debt Issuance Program Prospectus, members of the Management Board are

<b>Name and Position</b>	<b>Other Mandates <sup>*)</sup></b>
<b>Dr. Robert Grassinger</b> Spokesman of the Management Board	Member of the Management Board of Hypo Real Estate Holding AG, Munich
<b>Charles Balch</b> Member of the Management Board	-
<b>Reinhold Güntner</b> Member of the Management Board	-
<b>Frank Hellwig</b> Member of the Management Board	Member of the Management Board of Hypo Real Estate Bank International AG, Munich Member of the Supervisory Board of Hypo Real Estate Systems GmbH, Stuttgart Member of the Advisory Board of WH-Zweite Grundstücks Verwaltungs GmbH, Schönefeld

\* Mandates - Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

The business address of the Management Board of the Issuer is Von-der-Tann-Strasse 2, D-80539 Munich.

### The Supervisory Board

In accordance with the Articles of Association, the Supervisory Board consists of six members, of whom 4 are elected by the General Meeting of Shareholders and 2 are elected by the employees in accordance with the German Third-Participation Act (*Drittelbeteiligungsgesetz*).

As at the date of this Debt Issuance Program Prospectus, members of the Supervisory Board are:

<b>Name and Position</b>	<b>Other Mandates <sup>*)</sup></b>
<b>Georg Funke</b> Chairman	Chairman of the Management Board of Hypo Real Estate Holding AG, Munich Chairman of the Supervisory Board of Hypo Real Estate Bank International AG, Munich Chairman of the Management Board of Hypo Public

Finance Bank, Dublin  
Chairman of the Board of Directors of DEPFA BANK  
plc, Dublin

**Ursula Bestler\*\*)**

Bank employee

/

**Dr. Markus Fell**

Deputy Chairman

Member of the Management Board of Hypo Real Estate  
Holding AG, Munich  
First Deputy Chairman of the Supervisory Board of  
Hypo Real Estate Bank International AG, Munich-  
Deputy Chairman of the Board of Directors of DEPFA  
BANK plc, Dublin  
Non-Executive Member of the Board of Hypo Public  
Finance Bank, Dublin  
Non-executive Member of the Board of Flint Nominees  
Ltd., London  
Member of the Supervisory Board of Hypo Real Estate  
Systems GmbH, Stuttgart

**Georg Kordick\*\*)**

Bank employee

/

**Frank Lamby**

Member of the Management Board of Hypo Real  
Estate Holding AG, Munich  
Spokesman of the Management Board of Hypo Real  
Estate Bank International AG, Munich

**Bettina von Oesterreich**

Member of the Management Board of Hypo Real Estate  
Holding AG, Munich  
Member of the Management Board of Hypo Real Estate  
Bank International AG, Munich  
Deputy Chairman of the Supervisory Board of DEPFA  
Deutsche Pfandbriefbank AG, Eschborn  
Non-executive Member of the Board of Directors of  
Hypo Public Finance Bank, Dublin  
Non-executive Member of the Board of Directors of  
DEPFA BANK plc, Dublin

\*) Mandates - Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

\*\*) Employee representative according to Third-Participation Act (*Drittelbeteiligungsgesetz*).

The business address of the Supervisory Board of the Issuer is Von-der-Tann-Strasse 2, D-80539 Munich.

**The General Meeting of Shareholders**

The General Meeting of Shareholders, which is called by the Management Board or, as provided by law, by the Supervisory Board or by the sole shareholder, is held at the registered office of the Issuer or at the seat of a stock exchange within the territory of the Federal Republic of Germany. An ordinary shareholder meeting takes place within the first eight months of every financial year of the Issuer. The voting right of

each common bearer share gives entitlement to one vote.

### **Conflicts of Interest**

The members of the Management Board have additional positions as described above which may potentially result in conflict of interest between their duties towards the Issuer and their private and other duties. Furthermore, in connection with the issue of Notes a potential conflict of interest will be indicated in the respective Final Terms.

## **7. MAJOR SHAREHOLDERS**

The Issuer is totally-owned (100 per cent.) by Hypo Real Estate Holding.

## **8. HISTORICAL FINANCIAL INFORMATION**

### **Historical Financial Information**

The Issuer's Annual Reports for the years ended 31 December 2007 and 31 December 2006 including the financial statements and the auditor's report thereon have been deposited with the *Commission de Surveillance du Secteur Financier* ("CSSF") in Luxembourg and have been incorporated by reference in this Debt Issuance Program Prospectus.

The financial information, set out in this Debt Issuance Program Prospectus gives, when read in conjunction with the financial statements incorporated herein, a true and fair view of the financial position of the Issuer in conformity with applicable accounting policies. The financial statements of the Issuer have been prepared on the basis of the German generally accepted accounting principles ("German GAAP").

The summary financial information relating to the Issuer set out in this Debt Issuance Program Prospectus for each of the two years ended 31 December 2006 and 31 December 2007, does not constitute the full statutory accounts prepared by the Issuer as required by German law, but has been extracted (except for the cash flow statements) without material adjustment from the audited financial statements of the Issuer for those years.

## ANNUAL BALANCE SHEET AT 31 DECEMBER 2007 AND 31 DECEMBER 2006

The following table shows the balance sheet of the Issuer for the financial years ended 31 December 2007 and 31 December 2006, respectively.

<b>Assets</b> <b>in € thousand</b>	<b>31 Dec. 2007</b>	<b>31 Dec. 2006</b>
<b>1. Cash reserve</b>		
a) Cash on hand	1	2
b) Balances with central banks	895,917	57,817
thereof:		57,819
with the Bundesbank € 895,917 thousand (prior year € 57,817 thousand)	895,918	
<b>2. Loans and advances to other banks</b>		
a) Repayable on demand	1,216,768	1,130,935
b) Other loans and advances	13,323,727	13,479,981
thereof:	14,540,495	14,610,916
mortgage loans € 1,262,753 thousand (prior year € 153,316 thousand)		
municipal loans € 5,759,065 thousand (prior year € 7,761,790 thousand)		
<b>3. Loans and advances to customers</b>	37,561,083	43,137,085
thereof:		
mortgage loans € 28,164,831 thousand (prior year € 30,377,591 thousand)		
municipal loans € 9,085,196 thousand (prior year € 12,371,065 thousand)		
other loans and advances € 311,056 thousand (prior year € 388,429 thousand)		
thereof:		
against securities lending € 305,401 thousand (prior year € - thousand)		
<b>4. Bonds and other fixed-income securities</b>		
a) Money market instruments issued by		
aa) public sector issuers	-	-
thereof:		
eligible for Bundesbank borrowings € - thousand (prior year € - thousand)		
ab) other issuers	504,515	-
thereof:	504,515	-
eligible for Bundesbank borrowings € 504,515 thousand (prior year € - thousand)		
b) Bonds and notes issued by		
ba) public sector issuers	5,592,037	7,257,710
thereof:		
eligible for Bundesbank borrowings € 5,096,007 thousand (prior year € 5,290,951 thousand)		
bb) other issuers	11,666,715	7,503,520
thereof:	17,258,752	14,761,230
eligible for Bundesbank borrowings € 5,119,636 thousand (prior year € 3,181,237 thousand)		
c) Own bonds	1,584,938	255,148
Nominal value € 1,570,538 thousand (prior year 252,978 thousand)	19,348,205	15,016,378
<b>Carryover</b>	<b>72,345,701</b>	<b>72,822,198</b>



<b>Assets</b>		
<b>in € thousand</b>	<b>31 Dec. 2007</b>	<b>31 Dec. 2006</b>
<b>Carryover</b>	<b>72,345,701</b>	<b>72,822,198</b>
<b>5. Shares and other non-fixed-interest securities</b>	4,198	-
<b>6. Participating interests</b>	82	798
thereof:		
other banks € - thousand (prior year € - thousand)		
financial services institutions € - thousand		
(prior year € - thousand)		
<b>7. Shares in affiliated companies</b>	40,439	40,014
thereof:		
other banks € - thousand (prior year € - thousand)		
financial services institutions € - thousand		
(prior year € - thousand)		
<b>8. Special assets</b>	31,175	132,635
thereof:		
loans in transit € 31,175 thousand		
(prior year € 132,635 thousand)		
<b>9. Intangible Assets</b>	13,136	12,977
<b>10. Tangible Assets</b>	4,450	3,584
<b>11. Sundry Assets</b>	722,485	532,403
<b>12. Deferred charges and prepaid expenses</b>		
a) from issues and loans	107,992	153,229
b) other	80,977	72,070
	188,969	225,299
<b>13. Accrued tax item pursuant to § 274 Para. 2HGB</b>	36,357	-
<b>Total assets</b>	<b>73,386,992</b>	<b>73,769,908</b>

<b>Equity and liabilities in € thousand</b>	<b>31 Dec.2007</b>	<b>31 Dec. 2006</b>
<b>1. Accounts due to other banks</b>		
a) Repayable on demand	9,139	16,242
b) Fixed term or withdrawal notice	18,528,077	18,089,243
thereof:		18,537,216
registered mortgage pfandbrief bonds issued € 1,588,589 thousand (prior year € 2,550,911 thousand)		
registered public-sector pfandbrief bonds issued € 547,120 thousand (prior year € 1,233,181 thousand)		
registered mortgage pfandbrief bonds delivered to lender as collateral for loans € - thousand (prior year € 10,486 thousand)		
registered public-sector pfandbrief bonds delivered to lender as collateral for loans € 10,641 thousand (prior year € 10,641 thousand)		
<b>2. Accounts due to customers</b>		
a) Savings deposits		
aa) Withdrawal notice of three months	-	-
ab) Withdrawal notice of more than three months	-	-
b) Other liabilities		
ba) Repayable on demand	227,531	179,856
bb) Fixed term or withdrawal notice	21,759,412	19,339,910
thereof:		21,986,943
registered mortgage pfandbrief bonds issued € 6,557,584 thousand (prior year € 7,542,285 thousand)		
registered public-sector pfandbrief bonds issued € 4,731,816 thousand (prior year € 5,309,443 thousand)		
registered mortgage pfandbrief bonds delivered to lender as collateral for loans € 17,809 thousand (prior year € 17,903 thousand)		
registered public-sector pfandbrief bonds delivered to lender as collateral for loans € 63,660 thousand (prior year € 63,660 thousand)		
<b>3. Debts evidenced by certificates</b>		
a) Bonds issued		
aa) mortgage pfandbrief bonds	8,073,316	9,229,798
ab) public-sector pfandbrief bonds	13,192,946	19,653,018
ac) other bonds	8,009,299	3,168,743
		32,051,559
b) Other	29,275,561	646,895
thereof:	298,454	32,698,454
money market instruments € 298,454 thousand (prior year € 646,895 thousand)		
own acceptances and promissory notes outstanding € - thousand (prior year € - thousand)		
<b>4. Special liabilities</b>		31,175
thereof:		132,635
borrowings in transit € 31,175 thousand (prior year € 132,635 thousand)		
<b>5. Sundry liabilities</b>		72,707
<b>Carryover</b>	<b>70,202,056</b>	<b>70,515,072</b>

<b>Equity and liabilities in € thousand</b>	<b>31 Dec. 2007</b>	<b>31 Dec. 2006</b>
<b>Carryover</b>	<b>70,202,056</b>	<b>70,515,072</b>
<b>6. Deferred income</b>		
a) from issues and loans	85,531	124,877
b) other	81,913	59,916
	167,444	184,793
<b>7. Provisions</b>		
a) for pensions and similar commitments	91,874	90,571
b) for taxes	18,949	12,727
c) other	138,396	76,307
	249,219	179,605
<b>8. Subordinated liabilities</b>	639,590	659,393
<b>9. Participatory capital</b>	252,574	260,244
thereof:		
maturing in less than two years		
€ 89,477 thousand (prior year € 7,669 thousand)		
<b>10. Fund for general banking risks</b>	-	6,154
<b>11. Equity</b>		
a) Capital stock	132,860	132,860
b) Additional paid-in capital	1,441,742	1,441,742
c) Retained earnings		
ca) Legal reserve	12,655	12,655
cb) Reserve for treasury stock	-	-
cc) Statutory reserve	-	-
cd) other	248,334	248,334
	260,989	260,989
d) Unappropriated retained earnings	40,518	129,056
	1,876,109	1,964,647
<b>Total equity and liabilities</b>	<b>73,386,992</b>	<b>73,769,908</b>
<b>1. Contingent liabilities</b>		
a) from bills endorsed and discounted	-	-
b) from guarantees and indemnity agreements	220,318	190,649
c) from collateralisation of third-party liabilities	-	-
	220,318	190,649
<b>2. Other commitments</b>		
a) Repurchase agreements from retail repos	-	-
b) Placing and underwriting commitments	-	-
c) Irrecoverable loan commitments	3,466,401	3,032,219
	3,466,401	3,032,219

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER  
2007 AND 31 DECEMBER 2006**

The following table shows the profit and loss account of the issuer for the financial years ended 31 December 2007 and 31 December 2006, respectively.

**Income Statement for the period from 01 Jan. 2007 to 31 Dec. 2007**

<b>Expenses</b>		<b>2007</b>	<b>2006</b>
<b>in € thousand</b>			
1. Interest expenses		10,374,614	8,930,935
2. Commission expenses		17,152	17,292
3. General administrative expenses			
a) Personnel expenses			
aa) Wages and salaries	41,173		38,743
ab) Social security taxes, pension expenses and related employee benefits	14,057		13,738
		<b>55,230</b>	<b>52,481</b>
thereof: pension expense € 8,571 thousand (prior year: € 8,261 thousand)			
b) other		54,706	37,788
		<b>109,936</b>	<b>90,269</b>
4. Amortisation, depreciation and write-downs on intangible and tangible assets		4,925	4,129
5. Other operating expenses		10,289	13,778
6. Write-downs of and allowances for receivables and specific securities, as well as additions to loan-loss provisions		112,530	125,289
7. Amortisation, depreciation and write-downs on participating interests, shares in affiliated companies and investment securities		212,124	16,245
8. Expenses relating to the assumption of losses		2,953	5,042
9. Extraordinary expenses		0	8,500
10. Taxes on income		7,074	-64,837
11. Other taxes, unless shown under item 5		5	3
12. Net income		40,161	128,561
<b>Total expenses</b>		<b>10,891,763</b>	<b>9,275,206</b>
1. Net income		40,161	128,561
2. Profit brought forward		357	495
<b>3. Unappropriated retained earnings</b>		<b>40,518</b>	<b>129,056</b>

<b>Income in € thousand</b>	<b>2007</b>	<b>2006</b>
1. Interest income from		
a) Lending and money-market business	10,000,501	8,423,371
b) Fixed-income and book-entry securities	769,237	757,703
	<b>10,769,738</b>	<b>9,181,074</b>
2. Current income from		
a) Equities and other variable-yield securities	4	654
b) Shares in affiliated companies	3,268	1,730
	<b>3,272</b>	<b>2,384</b>
3. Commission income	57,701	37,308
4. Income from withdrawals from the fund for general banking risks pursuant to § 340 g HGB German Commercial Code	6,154	0
5. Income from write-ups on participating interests, shares in affiliated companies and investment securities	10,558	30,360
6. Other operating income	44,231	23,673
7. Extraordinary income	109	407
<b>Total income</b>	<b>10,891,763</b>	<b>9,275,206</b>

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

The following table shows the cash flow statements of the Issuer for the financial years ended 31 December 2007 and 31 December 2006, respectively.

<b>Cash flow statement 2007 and 2006</b>		<b>2007</b>	<b>2006</b>
		<b>TEUR</b>	<b>TEUR</b>
<b>1.</b>	<b>Net result before extraordinary items</b>	<b>47,240</b>	<b>63,728</b>
	Non-cash items included in net result and reconciliation with cash flows from operating activities		
2.	Write-downs, write-ups and depreciation on receivables, plant, property and equipment and on non-current financial assets	393,495	198,346
3.	Increase of accruals and provisions	101,902	33,114
4.	Other non-cash expenses	-12,540	39,259
5.	Gains on the disposal of plant, property and equipment and non-current financial assets	-9,642	-29,723
6.	Other adjustments (net)	-545,160	-228,273
<b>7.</b>	<b>Sub-total</b>	<b>-24,705</b>	<b>76,451</b>
	Change in assets and liabilities relating to operating activities		
8.	Receivables		
8a.	- from financial institutions	913,611	-209,989
8b.	- from customers	5,377,394	560,095
9.	Securities (except those treated as financial investments)	-4,467,675	984,292
10.	Other assets relating to operating activities	-100,372	-243,635
11.	Payables		
11a.	- to financial institutions	-389,804	2,592,777
11b.	- to customers	2,451,487	848,152
12.	Securitised liabilities	-3,009,156	-4,156,563
13.	Other liabilities relating to operating activities	-125,261	-198,974
14.	Interest and dividends received	9,897,767	3,826,409
15.	Interest paid	-9,701,307	-3,599,630
16.	Commission received	57,701	37,308
17.	Commission paid	-17,152	-17,292
18.	Payments for taxes on income	-25,751	-13,812
<b>19.</b>	<b>Cash flows from operating activities</b>	<b>836,777</b>	<b>485,589</b>
20.	Cash receipts from the disposal of		
20a.	- financial non-current assets	163,617	-171,392
20b.	- property, plant and equipment	-339	-180
21.	Cash payments for investment in		
21a.	- financial non-current assets	0	0
21b.	- property, plant and equipment	-1,903	-869
22.	Changes in funds relating to other investing activities (net)	-3,881	-8,160
<b>23.</b>	<b>Cash flows from investing activities</b>	<b>157,494</b>	<b>-180,601</b>
24.	Cash receipts from the issue of capital (capital increase, sale of the enterprise's shares, etc.)	0	-212,000
25.	Cash payments to owners and minority shareholders		
25a.	- dividends paid	-128,699	-53,383
25b.	- other payments	0	0
26.	Changes in funds relating to >>other capital<< (net)	-27,473	-37,183
<b>27.</b>	<b>Cash flows from financing activities</b>	<b>-156,172</b>	<b>-302,566</b>
<b>28.</b>	<b>Change in cash funds from cash relevant transactions (lines 19, 23, 24, 25, 26, 27)</b>	<b>838,099</b>	<b>2,422</b>

	23, 27)		
29.	<b>Change in cash funds from exchange rate movements, changes in group structure and valuation procedures for cash funds</b>	<b>0</b>	<b>0</b>
30.	<b>Cash funds at the beginning of period</b>	<b>57,819</b>	<b>55,397</b>
31.	<b>Cash funds at the end of period</b>	<b>895,918</b>	<b>57,819</b>

### **Auditing of Historical Financial Information**

The auditors of the Issuer have made reports in respect of each set of statutory accounts for the two financial years ended 31 December 2007 and 31 December 2006 and each such report was an unqualified report (*uneingeschränkter Bestätigungsvermerk*).

As regards the cash flow statements for the year from 1 January 2007 to 31 December 2007, KPMG Deutsche Treuhand-Gesellschaft AG issued on 7 May 2008 the following auditor's report to the Issuer:

#### **“Auditor’s Report**

To Hypo Real Estate Bank Aktiengesellschaft, Munich

We have audited the cash flow statement for the financial year 2007 derived by the company from the annual financial statements for the financial year 2007 as well as the underlying bookkeeping system. The cash flow statement supplements the annual financial statements of Hypo Real Estate Bank Aktiengesellschaft, Munich, for the financial year 2007 that have been prepared on the basis of the provisions of German commercial law.

The preparation of the cash flow statement for financial year 2007 in accordance with the provisions of German commercial law is the responsibility of the company's management.

Our responsibility is to express an opinion, based on our audit, as to whether the cash flow statement for the financial year 2007 has been properly derived from the annual financial statements for financial year 2007 as well as the underlying bookkeeping system in accordance with the provisions of German commercial law. The subject matter of this engagement does neither include the audit of the underlying annual financial statements nor the underlying bookkeeping system.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Additional Elements of Financial Statements (IDW AuPS 9.960.2) in such a way that material errors in the derivation of the cash flow statement from the annual financial statements as well as the underlying bookkeeping system are detected with reasonable assurance.

In our opinion, based on the findings of our audit, the cash flow statement for the financial year 2007 has been properly derived from the annual financial statements for the financial year 2007 as well as the underlying bookkeeping system in accordance with the provisions of German commercial law.

Munich, May 7, 2008

KPMG, Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Techet  
Wirtschaftsprüfer

Peter  
Wirtschaftsprüfer”

As regards the cash flow statements for the year from 1 January 2006 to 31 December 2006, Bayerische Treuhandgesellschaft AG issued on 2 May 2007 the following auditor's report to the Issuer:

**“Auditor's Report**

To Hypo Real Estate Bank Aktiengesellschaft, Munich

We have audited the cash flow statement for the financial year 2006 derived by the company from the annual financial statements for the financial year 2006 as well as the underlying bookkeeping system. The cash flow statement supplements the annual financial statements of Hypo Real Estate Bank Aktiengesellschaft, Munich, for the financial year 2006 that have been prepared on the basis of the provisions of German commercial law.

The preparation of the cash flow statement for financial year 2006 in accordance with the provisions of German commercial law is the responsibility of the company's management.

Our responsibility is to express an opinion, based on our audit, as to whether the cash flow statement for the financial year 2006 has been properly derived from the annual financial statements for financial year 2006 as well as the underlying bookkeeping system in accordance with the provisions of German commercial law. The subject matter of this engagement does neither include the audit of the underlying annual financial statements nor the underlying bookkeeping system.

We have planned and performed our audit in accordance with the IDW Auditing Practice Statement: Audit of Additional Elements of Financial Statements (IDW AuPS 9.960.2) in such a way that material errors in the derivation of the cash flow statement from the annual financial statements as well as the underlying bookkeeping system are detected with reasonable assurance.

In our opinion, based on the findings of our audit, the cash flow statement for the financial year 2006 has been properly derived from the annual financial statements for the financial year 2006 as well as the underlying bookkeeping system in accordance with the provisions of German commercial law.

Munich, May 2, 2007

Bayerische Treuhandgesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Techet  
Wirtschaftsprüfer

Peter  
Wirtschaftsprüfer”



KPMG Deutsche Treuhand-Gesellschaft AG has not performed any audit or review procedures on any financial statements of the Issuer as of any date or for any period subsequent to 31 December 2007.

#### **Interim and other Financial Information**

The Issuer has not published interim financial information since the date of its last audited financial statements. Investors should notice that Hypo Real Estate Holding publishes interim financial information including information about the Issuer. This information is available on the website of Hypo Real Estate Holding ([www.hyporealestate.com](http://www.hyporealestate.com)).

#### **Legal and Arbitration Proceedings**

Together with Hypo Real Estate Bank International, the Issuer had filed a suit for damages against HVB AG. In total the claim amounted to approximately Euro 75 million plus interest (the claim of originally Euro 62 million was raised in 2007 up to Euro 75 million), the Issuer itself claimed approximately Euro 57,53 million plus interest. This claim originated from the time when the Issuer and Hypo Real Estate Bank International have been subsidiaries of HVB AG. At this time, according to the tax authorities, HVB AG had debited the banks with allocations of trade income tax at amounts exceeding the amount paid to the tax authorities by HVB AG. At 29 April 2008, the district court of Munich condemned HVB AG to pay approximately Euro 105 million (i.e. the total amount of the claim plus interest). It is not yet known whether the decision will be appealed by HVB AG.

With the exception of the above mentioned litigation, the Issuer is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering the previous twelve months which may have or have had in the recent past, significant effects on the Issuer's financial position or profitability.

#### **Significant change in Issuer's Financial Position**

Save as disclosed in this Debt Issuance Program Prospectus, there has been no significant change in the financial position of the Issuer since the date of its last audited financial statements (31 December 2007).

### **9. MATERIAL CONTRACTS**

In August 2007, the Issuer sold a portfolio of non-strategic financing arrangements to ING-DiBa Services GmbH (for details see Section IV.2 "Information about the Issuer – Major Events").

### **10. HYPO REAL ESTATE GROUP**

As expressed in the Hypo Real Estate Group Annual Report 2007 (page 151, see Section XIV. "Incorporation by Reference"), with the exception of political risks, Hypo Real Estate Holding ensures that the Issuer and Hypo Real Estate Bank International are able to meet their contractual obligations. This keep-well statement (*Patronatserklärung*) does not constitute a guarantee. In this context, reference is made to the Annual Reports containing the audited consolidated financial statements of Hypo Real Estate Holding AG for the period ended 31 December 2006 (the "Hypo Real Estate Group Annual Report 2006") and 31 December 2007 (the "Hypo Real Estate Group Annual Report 2007"), and to the Interim Report containing the reviewed and unaudited interim consolidated financial statements of Hypo Real Estate Group for the period ended 31 March 2008 (the "Hypo Real Estate Group Interim Report March 2008", see Section XIV. "Incorporation by Reference").

#### **Statutory Auditors**

For the financial year ended 31 December 2006 and 31 December 2007, the independent auditors of Hypo Real Estate Holding were KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 München, Germany. KPMG have audited the

financial statements of Hypo Real Estate Holding for the year ended 31 December 2006 and 31 December 2007. KPMG is a member of the German certified public accountants association (*Wirtschaftsprüfungskammer*).

### **Information about Hypo Real Estate Holding**

Hypo Real Estate Holding, with its registered office in Munich, was incorporated under the laws of the Federal Republic of Germany on 1 January 2003 with the legal name “Hypo Real Estate Holding AG”. It has been registered in the commercial register (*Handelsregister*) of Munich under No. HRB 149393. Hypo Real Estate Holding was established as a new company by way of a spin-off from HVB AG. The spin-off to the newly formed and legally separate Hypo Real Estate Holding and, therefore, the formation of Hypo Real Estate Holding, became legally effective upon its registration with the commercial register of HVB AG and Hypo Real Estate Holding on 29 September 2003, with retroactive effect for accounting purposes as of 1 January 2003. The spin-off comprised HVB AG’s entire interest in its wholly-owned subsidiary and spin-off vehicle DIA GmbH which held HVB AG’s shareholdings in its then three German mortgage bank subsidiaries, the Issuer, WestHyp and Württembergische Hypothekenbank AG, as well as in Hypo Real Estate International and several other non-German subsidiaries. In connection with corporate restructurings in anticipation of the spin-off, HVB AG had funded DIA GmbH with shareholders’ equity in an amount of approximately Euro 3,712 million. As a result of the spin-off, each holder of shares in HVB AG was entitled to receive one share in Hypo Real Estate Holding for every four shares in HVB AG held by such shareholder.

Hypo Real Estate Holding is incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany. The shares of Hypo Real Estate Holding are traded on the stock exchange in Frankfurt am Main (Prime Standard).

Pursuant to its articles of association the purpose of Hypo Real Estate Holding is heading an international group of companies which in particular operates in the area of real estate financing, real estate related banking, real estate business, and any related financing, consulting, brokering and other services of any kind, as well as in other banking business. It may also hold interests in credit institutions, in particular covered bond banks (*Pfandbriefbanken*), as well as in financial services institutions. Excluded from the purpose is any such business that requires to be licensed by the state; in particular the operation of banking business activities according to Section 1 Para. 1 German Banking Act (*Kreditwesengesetz*) or the operation of financial services transactions according to Section 1 Para. 1a German Banking Act (*Kreditwesengesetz*). In addition, Hypo Real Estate Holding is entitled to conduct any transactions and activities which seem appropriate to serve the purpose of the company. It may establish, acquire, or participate in other companies. Hypo Real Estate Holding may change the structure of companies it is holding interests in, combine under common management, or limit itself to their administration or to the disposal of their participations.

The head office of Hypo Real Estate Holding is located at Unsöldstraße 2, 80538 Munich, Germany. Its telephone number is +49 89 20 30 07 0.

### **Major Events**

Most recently, Hypo Real Estate Holding has acquired DEPFA (for details on the acquisition and the potential impact on the Hypo Real Estate Group see Section IV.2 “Information about the Issuer – Integration into Hypo Real Estate Group”).

On 16 April 2008, a group of investors decided to submit a voluntary offer to the shareholders of Hypo Real Estate Holding to purchase 50,076,000 shares of Hypo Real Estate Holding (for details see Section IV.10 “Hypo Real Estate Group - Major Shareholders”).

### **Overview on Business and Strategy**

Following to the acquisition of DEPFA, the integration of DEPFA Group into Hypo Real Estate Group was based on three principal objectives:

- Creation of a joint business platform for the realisation of the business plan including identified synergy potential.
- Ensure minimal disruption to business during the integration process.
- Focus on speed and efficiency to help realise major integration milestones as early as possible.

Until the end of 2007, a number of strategic milestones have been realised already and consequently the following deliverables have been executed:

- Implementation of an appropriate corporate governance structure, including a re-constituted Board of Directors for DEPFA to reflect the new ownership.
- Alignment of the risk management policies, processes and systems to provide for an aggregated risk analysis and control across the Hypo Real Estate Group.
- Development and implementation of a new organisational structure, including headcount reduction and a leaner office infrastructure with the effect of improvements in the operational efficiency of Hypo Real Estate Group.
- Organisation of the front office in the following business segments:
  - The business segment “Commercial Real Estate” combines mainly the International and German businesses of strategic, commercial real estate financing from Hypo Real Estate Bank International and the Issuer. The segment is split into four platforms: Germany, Europe, America and Asia.
  - The business segment “Public Sector & Infrastructure Finance” pools mainly the public sector business of DEPFA Group. In Addition, the segment contains the Infrastructure and Asset-Based-Finance Portfolios of DEPFA Group (including Hypo Public Finance Bank, Dublin) The segment consists of the platforms Public Sector and Infrastructure Finance.
  - The business segment “Capital Markets & Asset Management” pools the capital markets and the asset management business of the group. The platform Capital Markets reflects the majority of trading assets and trading liabilities as well as income from securitisations and business with DEPFA-customer derivatives. The platform Asset Management mainly consists of the business of Collineo Asset Management, Morrigan TRR Funding LLC and the guaranteed investments contracts business.
- Minimising the operational risk through transparency and collaboration.
- Progressive de-risking of trading books.
- Restructuring of the Group:
  - Hypo Public Finance Bank has become a subsidiary of DEPFA.
  - DEPFA Deutsche Pfandbriefbank has become a subsidiary of Hypo Real Estate Holding.
- Management of the portfolios on a combined basis in order to optimise the risk and earnings potential of Hypo Real Estate Group.
- Development of a consistent group-wide approach to originate and execute cross-selling opportunities.

## Trend Information

Save as disclosed in this Debt Issuance Program Prospectus, there has been no material adverse change in the prospects Hypo Real Estate Holding since the date of its published audited financial statements for the year ended 31 December 2007.

It is difficult to forecast developments on the capital and financing markets due to the macroeconomic developments, where the international financing markets are still extremely fragile and, in certain areas, are not functioning or are only capable of functioning to a limited extent. Therefore, fears that the financing crisis might also spill over to other areas of the economy have increased further so far in 2008. In addition, the consensus opinion of experts is that economic growth in the main economies will slow down in the course of the year. Consequently, it is not possible to make a reliable assessment of the conditions on the capital and financing markets in the near future, nor is it possible to preclude the possibility of further problems for the credit industry – and thus for Hypo Real Estate Group.

While Hypo Real Estate Group expects to see impetus for growth this year particularly in the fields of public finance and infrastructure finance as well as expending financing portfolios in this field, business will in particular be affected by the considerable widening of credit and refinancing spreads which have taken place since January. Consequently, Hypo Real Estate Group expects that operating business will continue to achieve a positive operating performance, though it cannot be ruled out that forecast figures for the financial year 2008 might not be achieved due to the current market conditions.

## Administrative, Management and Supervisory Bodies

The corporate bodies of Hypo Real Estate Holding are:

- (i) the Management Board (*Vorstand*);
- (ii) the Supervisory Board (*Aufsichtsrat*); and
- (iii) the General Meeting of Shareholders (*Hauptversammlung*).

### *The Management Board*

In accordance with the Articles of Association, the Management Board consists of two or more members. The Supervisory Board determines the number of the members of the Management Board and appoints the members of the Management Board. The Management Board represents Hypo Real Estate Holding and is responsible for its management.

As at the date of this Debt Issuance Program Prospectus, members of the Management Board are:

<b>Name and Position</b>	<b>Other Mandates<sup>*)</sup></b>
Georg Funke CEO	Chairman of the Supervisory Board of Hypo Real Estate Bank AG, Munich Chairman of the Supervisory Board of Hypo Real Estate Bank International AG, Munich Chairman of the Board of Directors of Hypo Public Finance Bank, Dublin Chairman of the Board of Directors of DEPFA BANK plc, Dublin
Dr. Markus Fell CFO	Deputy Chairman of the Supervisory Board of Hypo Real Estate Bank AG, Munich First Deputy Chairman of the Supervisory Board of Hypo Real Estate Bank International AG, Munich Deputy Chairman of the Board of Directors of DEPFA BANK plc, Dublin Non-executive Member of the Board of Hypo Public Fi-

	<p>nance Bank, Dublin  Member of the Supervisory Board of Hypo Real Estate Systems GmbH, Stuttgart  Non-executive Member of the Board of Directors of Flint Nominees Ltd., London</p>
<p>Cyril Dunne  COO</p>	<p>Chairman of the Supervisory Board of Hypo Real Estate Systems GmbH, Stuttgart  Non-executive Member of the Board of Directors of DEPFA BANK plc, Dublin</p>
<p>Thomas Glynn  Capital Markets &amp; Asset Management</p>	<p>Chairman of the Administrative Board of Collineo Asset Management GmbH, Dortmund  Member of the Board of Directors of Collineo Asset Management USA. Inc., USA  Chairman of the Board of Directors of Hypo Capital Markets Inc, New York  President of HI Asset Management and of HI Capital Markets, New York  Head of Portofolio Management, Trading and Securitisation of Hypo Real Estate Capital Corporation, New York/USA</p>
<p>Dr. Robert Grassinger  Commercial Real Estate (Funding / Treasury)</p>	
<p>Bo Heide-Ottosen  Public Sector &amp; Infrastructure Finance</p>	<p>Chairman of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG, Eschborn  Chairman of the Supervisory Board of DEPFA ACS Bank, Dublin  Chairman of the Supervisory Board of Hypo Pfandbriefbank International S.A., Luxembourg</p>
<p>Frank Lamby  Commercial Real Estate (Origination)</p>	<p>Member of the Supervisory Board of Hypo Real Estate Bank AG, Munich  Spokesman of the Management Board of Hypo Real Estate Bank International AG, Munich</p>
<p>Bettina von Oesterreich  Chief Risk Officer - CRO</p>	<p>Member of the Management Board of Hypo Real Estate Bank International AG, Munich  Member of the Supervisory Board of Hypo Real Estate Bank Aktiengesellschaft, Munich  Deputy Chairman of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG, Eschborn  Non-executive Member of the Board of Directors of Hypo Public Finance Bank, Dublin  Non-executive Member of the Board of Directors of DEPFA BANK plc, Dublin</p>

<sup>9)</sup> Mandates - Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

The business address of the members of the Management Board is Unsöldstraße 2, 80538 Munich, Germany.

*The Supervisory Board*

In accordance with the Articles of Association, the Supervisory Board consists of six members. As at the date of this Debt Issuance Program Prospectus, members of the Supervisory Board are:

<b>Name and Position</b>	<b>Other Mandates<sup>*)</sup></b>
Kurt F. Viermetz Chairman of the Supervisory Board	Chairman of the Supervisory Board of Deutsche Boerse, Frankfurt Member of the Supervisory Board of KfW IPEX-Bank GmbH, Frankfurt
Prof. Dr. Klaus Pohle Deputy Chairman	Member of the Supervisory Board and Chairman of the Audit Committee of DWS Investment GmbH, Frankfurt Non-executive Member of the Board and Chairman of the Audit Committee of COTY Inc., New York Administrateur and Chairman of the Audit Committee of Sanofi-Aventis S.A., Paris
Antoine Jeancourt-Galignani	Director of Gecina S.A., Paris Member of the Board of Société Nationale d'Assurances Group S.A.L., Beirut Chairman of the Supervisory Board of Euro Disney S.C.A., Marne-La-Vallée Director of Société Générale S.A., Paris Director of Total S.A., Paris Director of Kaufman & Broad S.A., Paris Member of the Supervisory Board of Oddo & Cie. S.C.A., Paris
Dr. Franz Heintzeler	Chairman of the Supervisory Board of Walter AG, Tübingen Chairman of the Advisory Board of Dr. Haas GmbH Mannheim Member of the Advisory Board of L-Bank - Landeskreditbank Baden-Württemberg, Karlsruhe/Stuttgart Member of the Supervisory Board of Baden-Württembergische Bank, Stuttgart
Dr. Pieter Korteweg	Senior Adviser and Vice Chairman of Cerberus Global Investment Advisors, LLC, New York Non-executive Member of the Supervisory Board of DaimlerChrysler Nederland B.V., Utrecht Non-executive Member of the Board of Aozora Bank Ltd., Tokyo Executive Member of the Board of Development Fund Netherlands Antilles (SONA), Den Hague Chairman of the Board of AerCap B.V., Schiphol Non-executive Member of the Supervisory Board of BAWAG P.S.K. Bank, Vienna
Thomas Quinn	-

<sup>\*)</sup> Mandates – Membership of other Supervisory Boards and comparable boards with a supervisory function in Germany and abroad.

The business address of the members of the Supervisory Board is Unsöldstraße 2, 80538 Munich, Germany.

### *General Meeting of Shareholders*

The General Meeting of Shareholders, which is called by the Management Board or, as provided by law, by the Supervisory Board, is held at the registered office of Hypo Real Estate Holding or at a German city having a stock exchange or at a German city having more than 100,000 inhabitants. The voting right of each common bearer share gives entitlement to one vote.

### *Conflicts of Interest*

The members of the Management have additional positions as described above which may potentially result in conflict of interest between their duties towards Hypo Real Estate Holding and their private and other duties.

### **Major Shareholders**

As of the date of this Debt Issuance Program Prospectus, Hypo Real Estate Holding's share capital amounts to EUR 603,324,786 consisting of 201,108,262 ordinary bearer shares (notional no-par shares). The Management Board is currently not aware of one stake in the capital which exceeds 10 per cent. of the voting rights. On 16 April 2008, a group of investors consisting of J.C. Flowers & Co. LLC, Shinsei Bank Limited and Grove International Partners LLP decided to submit a voluntary public offer to the shareholders of Hypo Real Estate Holding to purchase 50,076,000 shares of Hypo Real Estate Holding (24.9 per cent. of all outstanding shares, excluding the shares to be issued after the conversion of the mandatory convertible bond issued by Hypo Real Estate Finance B.V.). The Management Board in principle welcomes the offer, the preparation of which was supported by the Management Board. All notifications relating to participations can be found on the company's homepage ([www.hyporealestate.com](http://www.hyporealestate.com)). On 31 December 2007, the Members of the Management Board and the Members of the Supervisory Board held less than 1 per cent. of the total shares issued by Hypo Real Estate Holding.

The shares are listed for trading on Frankfurter Wertpapierbörse.

### **Legal and Arbitration Proceedings**

Hypo Real Estate Holding is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering the previous 12 months which may have or have had in the recent past, significant effects on Hypo Real Estate Holding's financial position or profitability.

On 31 January 2008, Hypo Real Estate Holding received notification of legal action taken by one shareholder who is enforcing claims for damages in connection with the ad-hoc release of 15 January 2008 with the ad-hoc release of 15 January 2008, which stated that an impairment of Euro 390 million regarding Hypo real Estate Group's holdings in CDOs would be required.

### **Significant change in Hypo Real Estate Holding's financial position**

Save as disclosed in this Debt Issuance Program Prospectus (see in particular the Hypo Real Estate Group Interim Report March 2008, Section XI.9 "Incorporation by reference"), there has been no significant change in the Hypo Real Estate Group's financial or trading position since the date of the last audited financial statements of the Hypo Real Estate Group (31 December 2007) up to the date of this Debt Issuance Program Prospectus.

## **11. PLANNED MERGER OF HYPO REAL ESTATE BANK INTERNATIONAL WITH THE ISSUER**

On 7 May 2008, the Management Boards and on 9 May 2008 the Supervisory Boards of the Issuer and of Hypo Real Estate Bank International, respectively, decided to proceed with the merger of Hypo Real Estate Bank International with the Issuer. According to this decision, it is planned that the Issuer as absorbing company will become the legal successor to Hypo Real Estate Bank International as the transferring company by universal succession (*Gesamtrechtsnachfolge*). In case of universal succession, the legal successor,

in principle, automatically and directly takes over the legal relationships of the transferring company with all rights and obligations, whereas no further legal actions are required to transfer the single assets. Hypo Real Estate Bank International will cease to exist by operation of law upon completion of the merger. The legal completion of the merger will take place once the merger will be registered in the commercial register (*Handelsregister*) of the Issuer. If the application for the registration of the merger is filed with the commercial register by 31 August 2008, the merger will take place with retroactive economic effect upon 1 January 2008.

Hypo Real Estate Bank International is a regular issuer of Pfandbriefe and other debt securities in the domestic and international capital markets. The long-term credit-rating of Hypo Real Estate Bank International is “A” by S&P (outlook negative), “A1” by Moody’s (outlook stable), “A” by Fitch (outlook stable) and “A (high)” by DBRS (outlook stable). The debt securities issued by Hypo Real Estate Bank International are listed within the European Economic Area on the following regulated markets: Luxembourg Stock Exchange, Stuttgart Stock Exchange and Munich Stock Exchange. Consequently, for Hypo Real Estate Bank International, there is a disclosure available reflecting the active role of this entity on capital markets. Inter alia, Hypo Real Estate Bank International has established a Euro 25,000,000,000 Debt Issuance Programme and has published a base prospectus relating to this program that is available on the website of Hypo Real Estate Group ([www.hyporealestate.com](http://www.hyporealestate.com)).



## VI. TERMS AND CONDITIONS (BEARER NOTES)

*The following are the Terms and Conditions (Bearer Notes) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Global Note (as defined below) and endorsed upon each Definitive Note (as defined below) (if any), in each case other than a Note denominated in Euro and to be deposited with Clearstream, Frankfurt. In relation to any Series (as defined below) of Notes (as defined below), the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Series of Notes. In lieu of modifying the Terms and Conditions by a Final Terms, any Series of Notes in bearer form may be issued on alternative terms and conditions which will be physically attached to each Global Note and endorsed upon each Definitive Note (if any). Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Series of Notes, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Series of Notes will be physically attached to each Global Note and an excerpt from the Final Terms specifying the principal terms of the Notes will be endorsed upon each Definitive Note.*

This Note is one of a Series of notes in bearer form (each a “Note” and together the “Notes”) which may be represented by one or more global notes (each a “Global Note”) (which expression shall mean any temporary global note (“Temporary Global Note”), any permanent global note (“Permanent Global Note”) or any collective global note (“Collective Global Note”)) or definitive notes (“Definitive Notes”). The expression “Note” shall mean (i) in relation to any Notes represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency and (ii) Definitive Notes, issued in exchange for a Temporary Global Note and subject to an amended and restated Issuing and Paying Agency Agreement dated 14 May 2008 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Principal Paying Agent”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents). The Issuing Agent shall also act as calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms. Any reference herein to “Notes” shall include (unless the context otherwise requires) Coupons (as defined below) and Talons (as defined below), if any, attached to Definitive Notes.

The Notes may be subject to (i) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (“TEFRA C Rules”) (“TEFRA C Notes”), (ii) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (“TEFRA D Rules”) (“TEFRA D Notes”) or (iii) neither the TEFRA C Rules nor the TEFRA D Rules, in each case as specified in the Final Terms.

Interest bearing Definitive Notes and interest bearing Collective Global Notes (unless otherwise specified in the Final Terms) have attached on issue interest coupons (“Coupons”, which expression shall, in the case of Collective Global Notes, include interest coupons in global form (“Collective Interest Coupons”)) and, if specified in the Final Terms, talons for further Coupons (“Talons”). Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons.

As used herein, the term “Noteholder”, “Couponholder” and/or “Talonholder” means, in the case of Notes, Coupons and/or Talons deposited with any Clearing System (as specified in the Final Terms) or other central securities depository, any holder of a proportionate co-ownership or other beneficial interest or right in such Notes, Coupons and/or Talons, and not deposited with any Clearing System or other central securities depository, in the case of Definitive Notes, the bearer of a Note, Coupon and/or Talon. The expression Couponholder shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, the term “Final Terms” means the Final Terms attached to the Temporary Global Note, the Permanent Global Note and one or more Collective Global Notes (if any) and, in respect of Definitive Notes, the Final Terms, an excerpt of which specifying the principal terms of the Notes is endorsed on such

Notes. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”

As used herein, “Series” means each initial issue of Notes together with any further issues expressed to form a single series with the initial issue which are denominated in the same currency and which are identical in all respects (including whether or not the Notes are listed) (except for the Issue Date, the Interest Commencement Date (if different from the Issue Date) and/or the Issue Price (as specified in the Final Terms)). As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if different from the Issue Date).

Copies of the Agency Agreement (which contains the form of Final Terms (Bearer Notes)) and the Final Terms applicable to each Series of Notes are available at the specified offices of the Issuing Agent and the other Paying Agents.

## **1. Form**

The Notes are in bearer form, in the aggregate principal amount specified in the Final Terms denominated in the Specified Currency and the Specified Denomination(s) and, in the case of Definitive Notes, serially numbered.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

If the Notes are TEFRA C Notes, or neither TEFRA C Notes nor TEFRA D Notes (as specified in the applicable Final Terms), the Notes are from the Issue Date represented by a Permanent Global Note or initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall as soon as practicable after the Issue Date, be exchanged (at the cost of the Issuer) (i) for Definitive Notes or (ii) in part for Definitive Notes and in the other part for one or more Collective Global Notes (as specified in the Final Terms), in each case upon presentation of the Temporary Global Note at the offices of the Issuing Agent.

If the Notes are TEFRA D Notes (as specified in the applicable Final Terms), the Notes are initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall, on or after the date which is 40 days after the Issue Date and subject to the requirements set forth in the terms of the Temporary Global Note be exchanged (at the cost of the Issuer) (i) for a Permanent Global Note or (ii) for Definitive Notes or (iii) in part for Definitive Notes and in the other part for one or more Collective Global Notes (as specified in the Final Terms), in each case upon presentation of the Temporary Global Note at the offices of the Issuing Agent, but only upon certification as to non-U.S. beneficial ownership as set forth in the terms of the Temporary Global Note.

Each Temporary Global Note, Permanent Global Note, Collective Global Note, Definitive Note and Coupon (if any) bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures). Each Note shall also bear the handwritten or, in the case of Definitive Notes, facsimile signature of an authorized officer of the Issuing Agent. Each Definitive Note and each Coupon (if any) shall bear the embossed seal of the Issuer or an embossed facsimile thereof.

Any Global Note will be deposited with the Clearing System(s) specified in the Final Terms or another central securities depository. Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of such Clearing System(s) or central securities depository. Clearing System within the meaning of these Terms and Conditions comprise both Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“CBL”) (each an “ICSD” and together the “ICSDs”), as well as any other clearing system.

If the applicable Final Terms specify that the Notes are issued in new global note (“NGN”) form, the Notes are kept in custody by a common safekeeper on behalf of both ICSDs. In the case the Global Note is a NGN that is intended to allow Eurosystem eligibility, the Notes shall be effectuated by the entity appointed as common safekeeper by the ICSDs.

If the applicable Final Terms specify that the Notes are issued in classical global note (“CGN”) form, the Notes are kept in custody by a common depository on behalf of both ICSDs.

If the applicable Final Terms specify that the Notes are issued in NGN form, the nominal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer’s interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating that the nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

If the applicable Final Terms specify that the Notes are issued in NGN form, on any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of such redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

If the applicable Final Terms specify that the Temporary Global Note is a NGN, on an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

## **2. Status of Notes**

If the Notes are Senior Notes, as set forth in the Final Terms, the Notes and Coupons (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank at least *pari passu* with the claims of all other unsecured creditors of it other than those claims which are expressly preferred under the law of its jurisdiction of incorporation or, in the case of Notes issued through a branch, the law of the jurisdiction where such branch is established, and other than claims arising from Mortgage Pfandbriefe (*Hypothekendarlehenbriefe*) and Public Pfandbriefe (*Öffentliche Pfandbriefe*) issued by the Issuer.

If the Notes are Subordinated Notes, as set forth in the Final Terms, the obligations under the Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other subordinated obligations of the Issuer. In the event of the dissolution or liquidation of, or insolvency proceedings against the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Issuer shall have been satisfied in full. The claims of a Noteholder or Couponholder arising under the Notes may not be set off against any claims of the Issuer. No security of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders or Couponholders arising under the Notes. No subsequent agreement may limit the subordination pursuant to the provisions set out in this Condition 2 or amend the Maturity Date in respect of the Notes to any earlier date or shorten any applicable notice period (*Kündigungsfrist*). If the Notes are redeemed before the Maturity Date otherwise than in the circumstances described in this Condition 2 or in Condition 8(b) or repurchased by the Issuer otherwise than in accordance with the provisions of § 10 subparagraph 5a sentence 6 of the German Banking Act (*Kreditwesengesetz*), then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary unless the amounts paid have been replaced by other regulatory banking capital (*haftendes Eigenkapital*) of at least equal status within the meaning of the German Banking Act, or the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) has consented to such redemption or repurchase.

## **3. Interest**

If the Notes are TEFRA D Notes, as specified in the Final Terms, no principal or interest shall be paid on any portion of the Temporary Global Note prior to such portion being exchanged for an interest in a Permanent Global Note or a Definitive Note unless the Noteholder has provided an appropriate certificate as to non-U.S. beneficial ownership in accordance with the terms of the Temporary Global Note.

**(a) Interest on Fixed Rate Notes**

- (i) Each Fixed Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.
- (ii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):

(A) if “Actual/Actual (ICMA)” is specified in the Final Terms:

- (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
- (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
  - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
  - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

(B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360.

**(b) Interest on Floating Rate Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest

on the Maturity Date. Interest will be payable on each Interest Payment Date. “Interest Payment Date” means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 5(c)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth below, in accordance with the Business Day Convention specified in the Final Terms.

- (A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.
- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.
- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

*(iii) ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an “ISDA Agreement”) published by the International Swaps and Derivatives Association Inc. (“ISDA”) and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2006 ISDA Definitions (the “ISDA Definitions”), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the holder of the relevant Note under which:

- (A) the Issuer was the Floating Rate Payer;
- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Notes of the Series of which such Note is a part was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

(iv) *Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Cal-

calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 3, the expression “Reference Banks” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the

“Interest Amount”) payable on the Floating Rate Notes in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest Commencement Date) to but excluding the relevant payment date (the “Calculation Period”):

- (A) if “Actual/365” or “Actual/Actual” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount in respect of each Specified Denomination for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Floating Rate Notes are from time to time listed, to such stock exchange, and to be notified to the Noteholders in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. In respect of Notes listed on the Luxembourg Stock Exchange, such notification shall be made to the Luxembourg Stock Exchange on the first day of each Specified Period or each other period for which interest is required to be calculated. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly notified to any stock exchange on which the Floating Rate Notes are for the time being listed, if required, and to the Noteholders in accordance with Condition 13.



*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the other Paying Agents and all Noteholders and Couponholders.

***(c) Index-Linked Interest Notes and Dual Currency Notes***

In the case of Index-Linked Interest Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply *mutatis mutandis*.

***(d) Partly-Paid Notes***

In the case of Partly-Paid Notes, interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the Final Terms.

***(e) Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 13 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

**4. Redemption and Purchase**

***(a) At Maturity***

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

***(b) Final Terms***

The Final Terms in relation to any Series of Notes will specify either:

- (i) that the Notes cannot be redeemed prior to their Maturity Date or, if the Notes are Floating Rate Notes, the Interest Payment Date falling in the Redemption Month (in each case except as otherwise provided in Condition 8(b) and, unless the Notes are Subordinated Notes, as specified in the Final Terms, Condition 9); or
- (ii) that the Notes will be redeemable at the option of the Issuer and/or the Noteholders prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms, provided, however, that, if the Notes are Subordinated Notes, as specified in the Final Terms, the Notes may not, except as provided in Condition 8(b), be redeemed prior to the Maturity Date.

***(c) Redemption at the Option of the Issuer***

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then out-

standing on the Optional Redemption Date(s) at the Optional Redemption Amount) specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of some only of the Notes, such redemption must be of a principal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as specified in the Final Terms. In the case of a partial redemption of Definitive Notes, the Notes to be repaid will be selected individually by lot not more than 15 days prior to the date fixed for redemption and a list of the Notes called for redemption will be notified in accordance with Condition 13 not less than 10 days prior to such date. In the case of a partial redemption of Notes which are represented by a Global Note, the Notes will be selected in accordance with the rules of the relevant Clearing System(s) (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Noteholder of its option (if any) to require the redemption of such Note under paragraph (d) of this Condition 4.

***(d) Redemption at the Option of the Noteholders***

If and to the extent specified in the Final Terms, upon a Noteholder giving to the Issuer in accordance with Condition 13(b) not more than 60 days' and not less than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the Final Terms all Notes, as to which Noteholders have given such notice (and which have been lodged with the Issuing Agent as provided in Condition 13(b), on the Optional Redemption Date at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. The Noteholder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of its option (if any) to redeem such Note under paragraph (c) of this Condition 4.

***(e) Early Redemption Amounts***

For the purposes of Conditions 8(b) and 9, the Notes will be redeemed at an amount (the "Early Redemption Amount") calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the Final Terms or, if no such amount or manner is specified in the Final Terms, at their principal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount equal to either:
  - (A) the sum of
    - (1) the Reference Price specified in the Final Terms; and
    - (2) the product of the Amortisation or Accrual Yield specified in the Final Terms (compounded annually), being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable; or
  - (B) such other amount as specified in the Final Terms.

Where such calculation is to be made for a period of less than a full year, it shall be made on the basis of the provisions set forth in Condition 3(b)(vi) (in the case of Floating Rate Notes) or Condition 3(a)(ii) (in the case of other Notes), or as otherwise specified in the Final Terms.

***(f) Installments***

If the Notes are repayable in installments, they will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

**(g) Purchases**

The Issuer or any of its affiliates may at any time purchase Notes in the market or otherwise (provided that, in the case of Definitive Notes, all unmatured Coupons appertaining thereto are surrendered therewith). If the Notes are Subordinated Notes, such purchase is subject to Condition 2. Notes purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

**(h) Cancellation**

All Notes redeemed in full upon their becoming due and payable will be cancelled forthwith (together with all unmatured Coupons surrendered therewith or attached thereto) and may not be reissued or resold.

**(i) Late Payment on Zero Coupon Notes**

Should the Issuer fail to pay upon presentation of any Zero Coupon Note the amount due, interest at the rate of the Amortisation or Accrual Yield specified in the Final Terms shall accrue from the due date until the actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 13 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

**5. Payments**

**(a) Method of Payment**

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with, or by a cheque in the Specified Currency drawn on, a bank in the principal financial center of the country of the Specified Currency; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with, or by a Euro cheque drawn on, a bank in a principal financial center of a country which on the due date for payment is a participating member state of the European Monetary Union; and
- (iii) no payment of any amount due in respect of any Note shall be made at any office or agency in the United States, and no check in payment thereof shall be mailed to an address in the United States, nor shall any such payment be made by transfer to an account maintained by the payee with a bank in the United States. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States if such payments are to be made in U.S. dollars and if payment of the full amount so payable at each office of the Issuing Agent and each Paying Agent outside the United States appointed and maintained by the Issuer pursuant to the Agency Agreement is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in U.S. dollars, and provided further, such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer; and
- (iv) payments will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8.

**(b) Presentation of Notes, Coupons and Talons**

Payments of principal in respect of Definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of Definitive Notes and payments of interest in respect of Definitive Notes will (subject as provided below) be made as aforesaid against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Definitive Notes and Collective Notes redeemable in Installment Amounts will be stamped or otherwise invalidated by a Paying Agent upon each payment of an Installment Amount.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index-Linked Notes) shall be presented for payment together with all unmatured Coupons appertaining thereto failing which the amount of any missing unmatured Coupon will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the missing Coupon at any time before the end of the presentation period (as defined in Condition 12, sentence 2). The foregoing provisions of this paragraph notwithstanding, if Fixed Rate Notes have a Maturity Date such that, on the presentation for payment of any such Fixed Rate Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by the foregoing provisions to be deducted would be greater than the amount otherwise due for payment, then upon the due date for redemption of any such Note such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon the application of the foregoing provisions of this paragraph the amounts required to be deducted will not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons to become void, the Issuing Agent shall determine which unmatured Coupons are to become void and shall select for such purpose Coupons maturing on early dates in preference to Coupons maturing on later dates.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all Talons (if any) appertaining thereto (whether or not attached) will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Note redeemable in Installment Amounts or Index-Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) appertaining thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from and including the preceding Interest Payment Date or, as the case may be, the Issue Date or, if different from the Issue Date, the Interest Commencement Date shall be payable only against surrender of the Definitive Note.

Payment of principal and interest (if any) in respect of Notes represented by a Global Note will (subject as provided below) be made to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System and otherwise in the manner specified in such Global Note. Payment of principal in full shall be made, against surrender, payment of principal in part or interest against presentation of such Global Note at the specified office of the Issuing Agent.

In the case of any Notes held through a Clearing System, the Issuer will be discharged by payment to, or to the order of, such Clearing System in respect of each amount so paid. Each of the persons shown in the records of such Clearing System as the holder of a particular principal amount of Notes must look solely to the Clearing System for its share of each payment so made by the Issuer.

The Issuer may deposit with the local court (*Amtsgericht*) in Munich principal and interest not claimed by Noteholders or Couponholders within twelve months after the Relevant Date (as defined in Condition 8). To the extent the right to withdraw such deposits is waived, the claims of the Noteholders against the Issuer shall cease.

### **(c) Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the place of presentation; and (ii) a Business Day (as defined below), then the holder thereof shall not be entitled to payment until the next such day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (A) in relation to Notes denominated in a currency other than Euro a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and

- (B) in relation to Notes denominated in Euro, a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

***(d) Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to “principal” or the “principal amount” of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable under Condition 8 in relation to a deduction or withholding referred to therein in respect of a payment of principal;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in installments, the Installment Amounts; and
- (vi) any premium and other amounts which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, if applicable, any additional amounts which may be payable under Condition 8 in relation to a deduction or withholding referred to therein in respect of a payment of interest.

**6. Issuing Agent, Paying Agents and Calculation Agent**

The names of the initial Issuing Agent and Principal Paying Agent, the other initial Paying Agents and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent, Paying Agent or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing Agent, additional or other Paying Agents or another Calculation Agent and/or approve any change in the specified office through which any Issuing Agent, Paying Agent or Calculation Agent (if any) acts, provided that:

- (i) so long as Notes are listed on the Luxembourg Stock Exchange, there will at all times be a Paying Agent with a specified office in Luxembourg;
- (ii) so long as Notes are listed on any further stock exchange, there will at all times be a Paying Agent with a specified office at the location of the exchange or such other location as may be required by the rules of such stock exchange;
- (iii) so long as Definitive Notes and Coupons are outstanding there will at all times be a Paying Agent with a specified office in a city in continental Europe;
- (iv) there will at all times be an Issuing Agent;
- (v) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent; and
- (vi) the Issuer ensures that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Union directive on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law to the extent possible.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15

days before or after any Interest Payment Date.

The Issuing Agent, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Noteholder.

## **7. Exchange of Talons**

On and after the Interest Payment Date, on which the final Coupon comprised in any Coupon sheet matures, but not later than the expiration date of the presentation period for the Coupons which may be exchanged for the respective Talons, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 12. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the related Coupon sheet matures.

## **8. Taxation**

(a) Principal and interest in respect of the Notes or Coupons shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany, or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax (“Withholding Taxes”), unless such deduction or withholding is required by law. In such event, the issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Noteholders or the Couponholders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (i) are payable otherwise than by deduction or withholding from payments of principal or interest; or
  - (ii) are payable by reason of the Noteholder or the Couponholder having, or having had, some personal or business connection with the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established and not merely by reason of the fact that payments in respect of the Notes or Coupons are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or
  - (iii) are payable by reason of a change in law that becomes effective more than 30 days after the payment of principal or interest becomes due or is duly provided for and notice thereof is published in accordance with Condition 13 (the “Relevant Date”), whichever occurs later; or
  - (iv) are deducted or withheld by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such deduction or withholding; or
  - (v) would not be payable if the Notes had been kept in safe custody, and the payments had been collected, by a banking institution; or
  - (vi) are deducted or withheld from a payment to an individual if such deduction or withholding is required to be made pursuant to the European Community Directive (EC 2003/48/EC) on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law; or
  - (vii) would not be payable if the Noteholder or the Couponholder makes a declaration of non-residence or other similar claim for exemption to the relevant tax authorities or complies with any reasonable certification documentation, information or other reporting requirement.
- (b) If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation

to pay duties of any kind, or as a result of any change in, or amendments to, the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the fifth day prior to the Issue Date of the Notes or, if the Notes comprise more than one Tranche, the Issue Date of the first Tranche, Withholding Taxes are or will be leviable on payments of principal or interest in respect of the Notes, which cannot be avoided and, by reason of the obligation to pay additional amounts on the next succeeding Interest Payment Date (in the case of Notes other than Zero Coupon Notes) or at maturity or upon the sale or exchange of any Notes (in the case of Zero Coupon Notes) as provided in paragraph (a) or otherwise, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Notes in whole, but not in part, at any time, or, if the Notes are Floating Rate Notes, on any Interest Payment Date, on giving not less than 30 days' notice, at their Early Redemption Amount (Condition 4(e)), together with interest accrued to (but excluding) the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Notes or Coupons then made.

(c) Any such notice shall be given in accordance with Condition 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

## **9. Events of Default**

(a) Unless the Notes are Subordinated Notes, as specified in the Final Terms, each Noteholder shall be entitled to declare its Notes due and demand immediate redemption thereof at the Early Redemption Amount (Condition 4(e)) in the event that:

- (i) there is failure to pay any amount due under the Notes within 30 days from the due date; or
- (ii) there is failure by the Issuer to perform any of its other obligations under the Notes and such failure shall continue for more than 45 days after written notice thereof has been delivered to the Issuer by any of the Noteholders; or
- (iii) the Issuer suspends its payments generally; or
- (iv) insolvency proceedings or composition proceedings to avert insolvency or similar proceedings are instituted against the Issuer's assets by a court in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or the Issuer applies for institution of any one of these proceedings concerning its assets, or the Issuer offers an out-of-court settlement to avert insolvency, composition or similar proceedings; or
- (v) the Issuer goes into liquidation, except if the Issuer merges with another company or is otherwise reorganized and such other or reorganized company assumes the obligations of the Issuer under the Notes and the Coupons.

The right to declare Notes due shall terminate if the event giving rise to such rights has been cured before the right is exercised.

(b) A Noteholder shall exercise its right to declare its Notes due in accordance with paragraph (a) above by delivering or sending by registered mail to the Issuer written notice as well as evidence of ownership. The Notes shall become due upon receipt of such notice by the Issuer.

(c) If the Notes are Subordinated Notes, as specified in the Final Terms, no Noteholder shall be entitled to declare its Notes due or demand early redemption thereof for any reason.

## **10. Substitution of the Issuer**

(a) The Issuer may, without the consent of the Noteholders, if no payment of principal or interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate (as defined below) of the Issuer as principal debtor in respect of all obligations arising from or in connection with the Notes (the "Substituted Debtor") provided that:

- (i) the Substituted Debtor assumes all obligations of the Issuer in respect of the Notes;
- (ii) the Issuer and the Substituted Debtor have obtained all necessary authorizations and may transfer to

the Issuing Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substituted Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfillment of the payment obligations arising under the Notes;

- (iii) the Substituted Debtor has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder in respect of such substitution;
- (iv) unless the Notes are Subordinated Notes, the Issuer has irrevocably and unconditionally guaranteed in favor of each Noteholder the payment of all sums payable by the Substituted Debtor in respect of the Notes on terms which ensure that each Noteholder will be put in an economic position that is at least as favorable as that which would have existed had the substitution not taken place;
- (v) if the Notes are Subordinated Notes, the obligations assumed by the Substituted Debtor in respect of the Notes are subordinated on terms identical to the terms of the Notes and (A) the Substituted Debtor is a subsidiary (*Tochterunternehmen*) of the Issuer within the meaning of §§ 1 subparagraph 7 and 10 subparagraph 5a sentence 11 of the German Banking Act (*Kreditwesengesetz*), (B) the Substituted Debtor deposits an amount which is equal to the aggregate principal amount of the Notes with the Issuer on terms equivalent, including in respect of subordination, to the terms and conditions of the Notes, and (C) the Issuer has irrevocably and unconditionally guaranteed in favor of each Noteholder the payment of all sums payable by the Substituted Debtor in respect of the Notes on terms which ensure that each Noteholder will be put in an economic position that is at least as favorable as that which would have existed had the substitution not taken place;
- (vi) there shall have been delivered to the Issuing Agent an opinion or opinions of lawyers of recognized standing to the effect that subparagraphs (i), (ii), (iii) and (iv) above have been satisfied.

For purposes of this Condition 10, “Affiliate” shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of § 15 of the German Stock Corporation Act (*Aktiengesetz*).

- (b) Any such substitution shall be notified in accordance with Condition 13.
- (c) In the event of such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Debtor, and any reference to the country in which the Issuer is organized, domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of organization domicile or residence of the Substituted Debtor.

## **11. Replacement of Notes, Coupons and Talons**

Replacement of lost, destroyed or mutilated Notes may be made in accordance with the requirements of German law.

The right pursuant to § 804 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) in respect of lost or destroyed Coupons is excluded (§ 804 subparagraph 2 of the German Civil Code (*Bürgerliches Gesetzbuch*)).

The rights of any Noteholder pursuant to § 805 of the German Civil Code (*Bürgerliches Gesetzbuch*) are excluded. Furthermore, no claim in respect of lost or destroyed Talons exists.

## **12. Presentation Period**

The presentation period provided in § 801 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes. The presentation period for the Coupons shall, in accordance with § 801 subparagraph 2 of the German Civil Code (*Bürgerliches Gesetzbuch*), be four years, beginning with the end of the calendar year in which the Coupon falls due.

## **13. Notices**

- (a) All notices concerning the Notes shall be given in accordance with legal requirements. In respect of any Global Note, this shall include the giving of notice to the relevant Clearing System. In respect of Notes in definitive or global form listed on the Luxembourg Stock Exchange this shall include publication in a



newspaper with general circulation in Luxembourg (which is expected to be “d’Wort”) or on the internet site of the Luxembourg Stock Exchange (www.bourse.lu). In respect of Notes listed on any other stock exchange and if the rules of such exchange so require, this shall include publication in accordance with the requirements of such stock exchange.

(b) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the Note or Notes to which the notice relates, with the Issuing Agent.

#### **14. Further Issues**

Unless otherwise specified in the Final Terms, the Issuer reserves the right from time to time without the consent of the Noteholders or Couponholders to issue additional notes with identical terms, so that the same shall be consolidated and form a single series with the Series comprising the Notes. The term “Notes” shall, in the event of such increase, also comprise all additionally issued notes.

#### **15. Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement**

(a) The Notes, as to form and content, and all rights and duties of the Noteholders or the Couponholders, the Issuer, the Issuing Agent, the other Paying Agents and the Calculation Agent shall in all respects be determined in accordance with the law of the Federal Republic of Germany.

(b) The place of performance shall be Munich.

(c) The place of jurisdiction for all proceedings arising out of or in connection with the Notes shall be Munich. The Noteholders and the Couponholders, however, may also pursue their claims before any other courts having jurisdiction over the Issuer. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this subparagraph.

(d) The Noteholder with respect to any Notes held through a Clearing System may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes (A) stating the full name and address of the Noteholder, (B) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (C) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (A) and (B), and (ii) a copy of the Note in global or definitive form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note or Definitive Note. For purposes of the foregoing, “Custodian” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes and includes the Clearing System.

(e) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.

## VII. TERMS AND CONDITIONS (BEARER PFANDBRIEFE)

*The following are the Terms and Conditions (Bearer Pfandbriefe) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Temporary Global Note (as defined below) and Permanent Global Note (as defined below). In relation to any Series (as defined below) of Notes (as defined below), the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Series of Notes. In lieu of modifying the Terms and Conditions by a Final Terms, any Series of Notes in bearer form may be issued on alternative terms and conditions which will be physically attached to each Global Note. Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Series of Notes, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Series of Notes will be physically attached to each Global Note.*

This Note is one of a Series of Mortgage Pfandbriefe (*Hypothekendarpfandbriefe*) or Public Pfandbriefe (*Öffentliche Pfandbriefe*) (as specified in the Final Terms) in bearer form (each a “Note” and together the “Notes”) which may be represented by one or more global Pfandbriefe (each a “Global Note”) (which expression shall mean any temporary global Pfandbrief (“Temporary Global Note”) or any permanent global Pfandbrief (“Permanent Global Note”). The expression “Notes” shall mean units of the lowest Specified Denomination in the Specified Currency issued subject to an amended and restated Issuing and Paying Agency Agreement dated 14 May 2008 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Principal Paying Agent”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents). The Issuing Agent shall also act as the calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms.

The Notes may be subject to (i) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(c) (“TEFRA C Rules”) (“TEFRA C Notes”), (ii) U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D) (“TEFRA D Rules”) (“TEFRA D Notes”) or (iii) neither the TEFRA C Rules nor the TEFRA D Rules, in each case as specified in the Final Terms.

As used herein, the term “Noteholder” means any holder of a proportionate co-ownership or other beneficial interest or right in such Notes.

As used herein, the term “Final Terms” means the Final Terms attached to the Temporary Global Note or the Permanent Global Note. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”.

As used herein, “Series” means each initial issue of Notes together with any further issues expressed to form a single series with the initial issue which are denominated in the same currency and which are identical in all respects (including whether or not the Notes are listed) (except for the Issue Date, the Interest Commencement Date (if different from the Issue Date) and/or the Issue Price (as specified in the Final Terms)). As used herein, “Tranche” means all Notes of the same Series with the same Issue Date and Interest Commencement Date (if different from the Issue Date).

Copies of the Agency Agreement (which contains the form of Final Terms (Bearer Pfandbriefe)) and the Final Terms applicable to each Series of Notes are available at the specified offices of the Issuing Agent and the other Paying Agents.

## 1. Form

The Notes are in bearer form, in the aggregate principal amount specified in the Final Terms denominated in the Specified Currency and the Specified Denomination(s).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

If the Notes are TEFRA C Notes, or neither TEFRA C Notes nor TEFRA D Notes (as specified in the applicable Final Terms), the Notes are from the Issue Date represented by a Permanent Global Note.

If the Notes are TEFRA D Notes (as specified in the applicable Final Terms), the Notes are initially represented by a Temporary Global Note (as specified in the Final Terms). Such Temporary Global Note shall, on or after the date which is 40 days after the Issue Date, and subject to the requirements set forth in the terms of the Temporary Global Note be exchanged (at the cost of the Issuer) for a Permanent Global Note upon presentation of the Temporary Global Note at the offices of the Issuing Agent, but only upon certification as to non-U.S. beneficial ownership as set forth in the terms of the Temporary Global Note.

Notes in definitive form or interest coupons shall not be issued in respect of any Series of Notes.

Each Temporary Global Note and Permanent Global Note bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures) and the manual signature of the *Treuhänder* for the Issuer appointed by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Each Note shall also bear the handwritten signature of an authorized officer of the Issuing Agent.

The Notes will be deposited with the Clearing System(s) specified in the Final Terms or another central securities depository. The Notes will be transferable only in accordance with the rules and procedures for the time being of such Clearing System(s) or central securities depository. Clearing System within the meaning of these Terms and Conditions comprise both Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“CBL”) (each an “ICSD” and together the “ICSDs”), as well as any other clearing system.

If the applicable Final Terms specify that the Notes are issued in new global note (“NGN”) form, the Notes are kept in custody by a common safekeeper on behalf of both ICSDs. In the case the Global Note is a NGN that is intended to allow Eurosystem eligibility, the Notes shall be effectuated by the entity appointed as common safekeeper by the ICSDs.

If the applicable Final Terms specify that the Notes are issued in classical global note (“CGN”) form, the Notes are kept in custody by a common depository on behalf of both ICSDs.

If the applicable Final Terms specify that the Notes are issued in NGN form, the nominal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer’s interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and, for these purposes, a statement issued by a ICSD stating that the nominal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

If the applicable Final Terms specify that the Notes are issued in NGN form, on any redemption or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of such redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered pro rata in the records of the ICSDs and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid.

If the applicable Final Terms specify that the Temporary Global Note is a NGN, on an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered pro rata in the records of the ICSDs.

## 2. Status of Notes

The Notes constitute direct, unconditional and unsubordinated obligations of the Issuer, ranking pari passu among themselves. The Notes are covered by a pool of assets in accordance with the German Pfandbrief Act (*Pfandbriefgesetz*) and rank at least pari passu with all other obligations of the Issuer arising from Mortgage Pfandbriefe (*Hypothekendarpfandbriefe*) or Public Pfandbriefe (*Öffentliche Pfandbriefe*), as the case may be.

## 3. Interest

If the Notes are TEFRA D Notes, as specified in the Final Terms, no principal or interest shall be paid on any portion of the Temporary Global Note prior to such portion being exchanged for an interest in a Permanent Global Note unless the Noteholder has provided an appropriate certificate as to non-U.S. beneficial ownership in accordance with the terms of the Temporary Global Note.

### (a) Interest on Fixed Rate Notes

- (i) Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.
- (ii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms. “Day Count Fraction” means, in respect of the calculation of an amount of interest for any period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):
  - (A) if “Actual/Actual (ICMA)” is specified in the Final Terms:
    - (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
    - (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
      - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
      - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination

Date falling after, such date).

- (B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360.

**(b) Interest on Floating Rate Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest on the Maturity Date. Interest will be payable on each Interest Payment Date. “Interest Payment Date” means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 5(c)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth below, in accordance with the Business Day Convention specified in the Final Terms.

- (A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.
- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.
- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the Final Terms.

*(iii) ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an “ISDA Agreement”) published by the International Swaps and Derivatives Association Inc. (“ISDA”) and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2006 ISDA Definitions (the “ISDA Definitions”), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the holder of the relevant Note under which:

- (A) the Issuer was the Floating Rate Payer;

- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Notes of the Series of which such Note is a part was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

(iv) *Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for

such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 3, the expression “Reference Banks” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

*(v) Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

*(vi) Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest Commencement Date) to but excluding the relevant payment date (the “Calculation Period”):

- (A) if “Actual/365” or “Actual/Actual” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 360;
- (E) if “30/360”, “360/360” or “Bond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if “30E/360” or “Eurobond Basis” is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount in respect of each Specified Denomination for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and, if required by the rules of any stock exchange on which the Floating Rate Notes are from time to time listed, to such stock exchange, and to be notified to the Noteholders in accordance with Condition 9 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. In respect of Notes listed on the Luxembourg Stock Exchange, such notification shall be made to the Luxembourg Stock Exchange on the first day of each Specified Period or each other period for which interest is required to be calculated. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly



notified to any stock exchange on which the Floating Rate Notes are for the time being listed, if required, and to the Noteholders in accordance with Condition 9.

*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the other Paying Agents and all Noteholders and Couponholders.

**(c) Index-Linked Interest Notes and Dual Currency Notes**

In the case of Index-Linked Interest Notes or Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply mutatis mutandis.

**(d) Partly-Paid Notes**

In the case of Partly-Paid Notes, interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Final Terms.

**(e) Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 9 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

**4. Redemption and Purchase**

**(a) At Maturity**

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the relevant Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

**(b) Final Terms**

The Final Terms in relation to any Series of Notes will specify either:

- (i) that the Notes cannot be redeemed prior to their Maturity Date or, if the Notes are Floating Rate Notes, the Interest Payment Date falling in the Redemption Month; or
- (ii) that the Notes will be redeemable at the option of the Issuer prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms.

**(c) Redemption at the Option of the Issuer**

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 9, the Noteholders (which notice shall be irrevocable), redeem all or some only of the Notes then out-

standing on the Optional Redemption Date(s) at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of some only of the Notes, such redemption must be of a principal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as specified in the Final Terms. In the case of a partial redemption of the Notes, the Notes will be selected in accordance with the rules of the relevant Clearing System(s) (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

**(d) Installments**

If the Notes are repayable in installments, they will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

**(e) Purchases**

The Issuer or any of its affiliates may at any time purchase Notes in the market or otherwise. Notes purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

**(f) Cancellation**

All Notes redeemed in full upon their becoming due and payable will be cancelled forthwith and may not be reissued or resold.

**(g) Late Payment on Zero Coupon Notes**

Should the Issuer fail to pay upon presentation of any Zero Coupon Note the amount due, interest at the rate of the Amortisation or Accrual Yield specified in the Final Terms shall accrue from the due date until the actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 9 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

**5. Payments**

**(a) Method of Payment**

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with, or by a cheque in the Specified Currency drawn on, a bank in the principal financial center of the country of the Specified Currency; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with, or by a Euro cheque drawn on, a bank in a principal financial center of a country which on the due date for payment is a participating member state of the European Monetary Union; and
- (iii) no payment of principal or interest in respect of any Note shall be made at any office or agency in the United States, and no check in payment thereof shall be mailed to an address in the United States, nor shall any such payment be made by transfer to an account maintained by the payee with a bank in the United States. Notwithstanding the foregoing, such payments may be made at an office or agency located in the United States if such payments are to be made in U.S. dollars and if payment of the full amount so payable at each office of the Issuing Agent and each Paying Agent outside the United States appointed and maintained by the Issuer pursuant to the Agency Agreement is illegal or effectively precluded because of the imposition of exchange controls or other similar restrictions on the full payment or receipt of such amounts in U.S. dollars, and provided further, such payment is then permitted under United States law without involving, in the opinion of the Issuer,

adverse tax consequences to the Issuer; and

- (iv) payments will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7.

**(b) Presentation of Notes**

Payment of principal and interest (if any) in respect of the Notes will (subject as provided below) be made to the Clearing System or to its order for credit to the account of the relevant account holders of the Clearing System and otherwise in the manner specified in the Global Note representing such Notes. Payment of principal in full, shall be made against surrender, payment of principal in part or interest against presentation of such Global Note at the specified office of the Issuing Agent.

The Issuer will be discharged by payment to, or to the order of, such Clearing System in respect of each amount so paid. Each of the persons shown in the records of such Clearing System as the holder of a particular principal amount of Notes must look solely to the Clearing System for its share of each payment so made by the Issuer.

**(c) Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the place of presentation; and (ii) a Business Day (as defined below), then the holder thereof shall not be entitled to payment until the next such day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (A) in relation to Notes denominated in a currency other than Euro a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and
- (B) in relation to Notes denominated in Euro, a day on which “all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

**(d) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to the “principal” or “principal amount” of the Notes shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) in relation to Notes redeemable in installments, the Installment Amounts; and
- (v) any premium and other amounts which may be payable under or in respect of the Notes.

**6. Issuing Agent, Paying Agents and Calculation Agent**

The names of the initial Issuing Agent and Principal Paying Agent, the other initial Paying Agents and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent, Paying Agent or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing

Agent, additional or other Paying Agents or another Calculation Agent and/or approve any change in the specified office through which any Issuing Agent, Paying Agent or Calculation Agent (if any) acts, provided that:

- (i) so long as Notes are listed on the Luxembourg Stock Exchange, there will at all times be a Paying Agent with a specified office in Luxembourg;
- (ii) so long as Notes are listed on any further stock exchange, there will at all times be a Paying Agent with a specified office at the location of the exchange or such other location as may be required by the rules of such stock exchange;
- (iii) there will at all times be an Issuing Agent;
- (iv) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent; and
- (v) the Issuer ensures that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Union directive on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or law to the extent possible.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 9 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date.

The Issuing Agent, the Paying Agents and the Calculation Agent (if any) act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Noteholder.

## **7. Taxation**

Principal and interest in respect of the Notes shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany or, if the Notes are issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

## **8. Presentation Period**

The presentation period provided in § 801 subparagraph 1 sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

## **9. Notices**

(a) All notices concerning the Notes shall be given in accordance with legal requirements. In respect of any Global Note, this shall include the giving of notice to the relevant Clearing System. In respect of Notes in definitive or global form listed on the Luxembourg Stock Exchange this shall include publication in a newspaper with general circulation in Luxembourg (which is expected to be "d'Wort") or on the internet site of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In respect of Notes listed on any other stock exchange and if the rules of such exchange so require, this shall include publication in accordance with the requirements of such stock exchange.

(b) Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the Note or Notes to which the notice relates, with the Issuing Agent.

## **10. Further Issues**

Unless otherwise specified in the Final Terms, the Issuer reserves the right from time to time without the consent of the Noteholders to issue additional notes with identical terms, so that the same shall be consolidated and form a single series with the Series comprising the Notes. The term "Notes" shall, in the event of such increase, also comprise all additionally issued notes.

**11. Applicable Law, Place of Performance, Place of Jurisdiction and Enforcement**

- (a) The Notes, as to form and content, and all rights and duties of the Noteholders, the Issuer, the Issuing Agent, the other Paying Agents and the Calculation Agent shall in all respects be determined in accordance with the law of the Federal Republic of Germany.
- (b) The place of performance shall be Munich.
- (c) The place of jurisdiction for all proceedings arising out of or in connection with the Notes shall be Munich. The Noteholders, however, may also pursue their claims before any other courts having jurisdiction over the Issuer. The German courts shall have exclusive jurisdiction over the annulment of lost or destroyed Notes. The Issuer hereby submits to the jurisdiction of the courts referred to in this paragraph.
- (d) Any Noteholder may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes (A) stating the full name and address of the Noteholder, (B) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (C) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (A) and (B), and (ii) a copy of the Global Note certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note. For purposes of the foregoing, “Custodian” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes and includes the Clearing System.
- (e) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.

## VIII. TERMS AND CONDITIONS (REGISTERED PFANDBRIEFE)

*The following are the Terms and Conditions (Registered Pfandbriefe) (the “Terms and Conditions”) which (subject to completion and amendment and together with any documents herein incorporated by reference or required to be attached hereto) will be physically attached to each Note (as defined below). In relation to any Note, the Terms and Conditions are supplemented and amended by the applicable Final Terms (as defined below). The Final Terms in relation to any Note may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such Terms and Conditions, replace or modify such Terms and Conditions for the purpose of such Note. In lieu of modifying the Terms and Conditions by a Final Terms, any Note in registered form may be issued on alternative terms and conditions which will be physically attached to such Note. Capitalized terms used in the Terms and Conditions but not defined herein shall, in relation to any Note, have the meaning specified opposite such term in the applicable Final Terms. The Final Terms in relation to any Note will be physically attached to such Note.*

This Note represents a Mortgage Pfandbrief (*Hypothekpfandbrief*) or Public Pfandbrief (*Öffentlicher Pfandbrief*) (as specified in the Final Terms) in registered form (the “Note”). This Note is issued subject to an amended and restated Issuing and Paying Agency Agreement dated 14 May 2008 (the “Agency Agreement”), as amended and/or supplemented from time to time, between Hypo Real Estate Bank Aktiengesellschaft (“Hypo Real Estate”) (acting through its head office or one of its foreign branches, if any) as issuer (the “Issuer”) and Citibank, N.A., London office, as issuing agent, principal paying agent and registrar (where applicable) (the “Issuing Agent” and “Registrar”, which expression shall include any successor agent) and Banque Générale du Luxembourg S.A. as additional paying agent. The Issuing Agent shall also act as calculation agent (the “Calculation Agent”, which expression shall include any successor agent) (if any) unless otherwise specified in the Final Terms.

As used herein, the term “Noteholder” means any registered holder of the Note.

As used herein, the term “Final Terms” means the Final Terms attached to this Note. Should the Final Terms specify other terms and conditions inconsistent with these Terms and Conditions, the former shall replace or modify the latter to the extent specified in the Final Terms. The Terms and Conditions as supplemented, amended, replaced or modified by the Final Terms are hereinafter referred to as the “Conditions”.

As used herein, the term “Register” means the register to be maintained by the Registrar in relation to the Note and any other notes that may be issued by the Issuer pursuant to the Agency Agreement.

Any reference herein to the “Note” or “this Note” includes unless the context otherwise requires, any new Note that has been issued upon a transfer of this Note or a part thereof.

Copies of the Agency Agreement (which contains the form of Final Terms (Registered Pfandbriefe)) and the Final Terms applicable to the Note are available at the specified offices of the Issuing Agent and the Registrar.

### 1. Form

This Note is in registered form, in the aggregate principal amount specified in the Final Terms and denominated in the Specified Currency.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Note or a Dual Currency Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis specified in the Final Terms.

This Note bears the signatures of two authorized persons on behalf of the Issuer (which signatures may be facsimile signatures, and the manual signature of the *Treuhänder* for the Issuer appointed by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*)). The Note shall also bear the handwritten signature of an authorized officer of the Issuing Agent.

### 2. Status of the Note

The Note constitutes a direct, unconditional and unsubordinated obligation of the Issuer. The Note is cov-

ered by a pool of assets in accordance with the German PfandbriefAct (*Pfandbriefgesetz*) and ranks at least pari passu with all other obligations of the Issuer arising from Mortgage Pfandbriefe (*Hypothekpfandbriefe*) or Public Pfandbriefe (*Öffentliche Pfandbriefe*), as the case may be.

### **3. Transfer of the Note**

- (a) The rights of the Noteholder evidenced by the Note and title to the Note itself pass by assignment and registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Fiscal Agent and the Registrar shall deem and treat the Noteholder as the absolute holder thereof and of the rights evidenced thereby.
- (b) The rights of the Noteholder evidenced by the Note and title to the Note itself may be transferred in whole or in part upon the surrender of this Note together with the form of assignment endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of the Note, a new Note in respect of the balance not transferred will be issued to the transferor. Any transfer of a part only of the Note is permitted only for the Minimum Principal Amount (specified in the Final Terms) or an integral multiple thereof.
- (c) Each new Note to be issued upon transfer of the Note will, within seven business days (being, for the purposes of this paragraph, a day other than a Saturday and Sunday, on which banks are open for business in the place of the specified office of the Registrar) of delivery of the Note and the duly completed and executed form of assignment, be available for collection at the specified office of the Registrar, or, at the request of the Noteholder making such delivery and as specified in the relevant form of assignment, be mailed at the risk of the Noteholder entitled to the new Note to such address as may be specified in the form of assignment.
- (d) Transfers will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment (or the giving of such indemnity as the Issuer or the Registrar may require in respect) of any tax or other duties which may be imposed in relation to it.
- (e) The Noteholder may not require the transfer of the Note registered (i) during a period of 15 days ending on the due date for any payment of principal, (ii) during the period of 15 days prior to any date on which the Note may be redeemed at the option of the Issuer, or (iii) after the Note has been called for redemption in whole or in part.

### **4. Interest**

#### **(a) Interest on a Fixed Rate Note**

- (i) A Fixed Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the Maturity Date specified in the Final Terms at the rate(s) per annum equal to the Fixed Rate(s) of Interest so specified payable on the Interest Payment Date(s) in each year and on the Maturity Date so specified if the Maturity Date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date and, if the Interest Payment Date next following the Issue Date or, if different from the Issue Date, the Interest Commencement Date is not the first anniversary of the Issue Date or, if different from the Issue Date, the Interest Commencement Date, will amount to the initial Broken Amount specified in the Final Terms. If the Maturity Date is not an Interest Payment Date, interest from and including the preceding Interest Payment Date (or the Issue Date or, if different from the Issue Date, the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the final Broken Amount specified in the Final Terms.
- (ii) If interest is required to be calculated for a period of other than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below), specified in the applicable Final Terms.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Calculation Period”):

(A) if “Actual/Actual (ICMA)” is specified in the Final Terms:

- (1) in the case of Notes where the number of days in the relevant Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year; or
- (2) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:
  - (α) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year, and
  - (β) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

(B) if “30/360” is specified in the Final Terms, the number of days in the relevant Calculation Period (such number of days being calculated on the basis of twelve 30-day months) divided by 360;

**(b) Interest on a Floating Rate Note**

*(i) Interest Payment Dates*

A Floating Rate Note bears interest from (and including) the Issue Date or, if different from the Issue Date, the Interest Commencement Date to (but excluding) the first Interest Payment Date (as defined below) and thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date. Floating Rate Notes cease to bear interest on the Maturity Date. Interest will be payable on each interest payment date (each an “Interest Payment Date”). Interest Payment Date means (A) if Specified Interest Payment Dates are specified in the Final Terms, each such Specified Interest Payment Date or (B) if Specified Periods are specified in the Final Terms, each date which (except as otherwise specified in these Terms and Conditions or the Final Terms) falls the number of months or other period(s) specified as the Specified Period in the Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Issue Date or, if different from the Issue Date, the Interest Commencement Date. Unless otherwise specified in the Final Terms, if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in Condition 6(b)) and a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Additional Business Center(s) specified in the Final Terms, the Interest Payment Date shall be determined as set forth below, in accordance with the Business Day Convention specified in the Final Terms.

- (A) If Modified Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the payment date shall be the immediately preceding Business Day.
- (B) If Floating Rate Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) the payment date shall be the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other periods specified in the Final Terms after the preceding applicable payment date.



- (C) If Following Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be postponed to the next day which is a Business Day.
- (D) If Preceding Business Day Convention is specified in the Final Terms, the Interest Payment Date shall be the immediately preceding Business Day.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of a Floating Rate Note will be determined in the manner specified in the Final Terms.

*(iii) ISDA Determination*

Where so specified in the Final Terms, interest will be payable on such dates and in such amounts as would have been payable by the Issuer if it had entered into an interest rate swap transaction governed by an agreement in the form of the ISDA Master Agreement (an "ISDA Agreement") published by the International Swaps and Derivatives Association Inc. ("ISDA") and evidenced by a Confirmation (as defined in the ISDA Agreement) incorporating the 2006 ISDA Definitions (the "ISDA Definitions"), or any amended and supplemented set of ISDA Definitions, published by ISDA and both as physically attached to the Note with the Noteholder under which:

- (A) the Issuer was the Floating Rate Payer;
- (B) the Issuing Agent was the Calculation Agent;
- (C) the Issue Date or, if different from the Issue Date, the Interest Commencement Date was the Effective Date;
- (D) the aggregate principal amount of the Note was the Notional Amount;
- (E) the Interest Payment Dates were the Floating Rate Payer Payment Dates; and
- (F) all other terms were as specified in the Final Terms.

When the preceding sentence applies, in respect of each Interest Payment Date:

- (1) the amount of interest determined for such Interest Payment Date will be the Interest Amount for the Specified Period ending on such Interest Payment Date for the purposes of these Terms and Conditions as though determined under subparagraph (vi) below;
- (2) the Rate of Interest for such Specified Period will be the Floating Rate (as defined in the ISDA Definitions) determined by the Calculation Agent in accordance with the preceding sentence; and
- (3) the Calculation Agent will be deemed to have discharged its obligations under subparagraph (vi) below if it has determined the Rate of Interest and Interest Amount payable on such Interest Payment Date in the manner provided in the preceding sentence.

*(iv) Screen Rate Determination*

Where so specified in the Final Terms, the Rate of Interest for each Specified Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the offered quotations (expressed as a percentage rate per annum)

for deposits in the Specified Currency for such Specified Period which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the Final Terms) as at 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date in question plus or minus the Margin (if

any) (as specified in the Final Terms), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest rate, one only of such rates) and the lowest (or, if there is more than one such lowest rate, one only of such rates) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations and this rule shall apply *mutatis mutandis* throughout this subparagraph.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such quotation appears or, in the case of (B) above, fewer than three of such offered quotations appear, in each case as at such time, the Calculation Agent shall request, if the Specified Currency is Euro, the principal Euro zone office or, if the Specified Currency is not Euro, the principal London office (or the principal office at such other place as specified in the Final Terms) of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for such Specified Period to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the applicable Final Terms) at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Specified Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of such offered quotation plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the Specified Period in question shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards, if EURIBOR has been specified as Reference Rate in the Final Terms, or, if the specified Reference Rate is not EURIBOR, to the nearest one hundred thousandth of a percentage point, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (if the Specified Currency is Euro, Brussels time, or, if the Specified Currency is not Euro, London time, or such other time as specified in the Final Terms) on such Interest Determination Date, deposits in the Specified Currency for such Specified Period by leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for such Specified Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for such Specified Period, at which, on such Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent and the Issuer suitable for such purpose) informs the Calculation Agent that it is quoting to leading banks in the, if the Specified Currency is Euro, Euro zone inter-bank market or, if the Specified Currency is not Euro, the London inter-bank market (or the inter-bank market in such other financial center as specified in the Final Terms) (or, as the case may be, the quotations of such bank or banks to the Calculation Agent) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last day preceding the Interest Determination Date on which such quotations were offered plus or minus (as appropriate) the Margin (if any) (though substituting, where a different Margin is to be applied to such Specified Period from that which applied to the last preceding Specified Period, the Margin relating to such Specified Period in place of the Margin relating to the last preceding Specified Period).

In this Condition 4, the expression "Reference Banks" means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Rele-

vant Screen Page when no fewer than three such offered quotations appeared.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified as being other than, if the Specified Currency is Euro, the Euro zone inter-bank offered rate or, if the Specified Currency is not Euro, the London inter-bank offered rate (or the inter-bank offered rate in such other financial center as specified in the applicable Final Terms), the Rate of Interest in respect of such Notes will be determined as provided in the Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the Final Terms specifies a minimum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is less than the minimum Rate of Interest, the Rate of Interest for such Specified Period shall be the minimum Rate of Interest. If the Final Terms specifies a maximum Rate of Interest for any Specified Period then, in the event that the Rate of Interest in respect of such Specified Period determined in accordance with the above provisions is greater than the maximum Rate of Interest, the Rate of Interest for such Specified Period shall be the maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent will, on or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the "Interest Amount") payable on this Floating Rate Note in respect of each Specified Denomination for the Specified Period in question. Each Interest Amount shall be calculated by applying the Rate of Interest and the Day Count Fraction to each Specified Denomination, and rounding the resultant figure, if the Specified Currency is a currency other than Euro, to the nearest sub-unit of the Specified Currency, one half of any such sub-unit being rounded upwards, and if the Specified Currency is Euro, to the nearest 0.01 Euro, 0.005 Euro being rounded upwards.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Floating Rate Note for any period other than a full year from and including the most recent Interest Payment Date (or, if none, the Issue Date, or if different from the Issue Date, the Interest Commencement Date) to but excluding the relevant payment date (the "Calculation Period"):

- (A) if "Actual/365" or "Actual/Actual" is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365;
- (C) if "Actual/365 (Sterling)" is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if "Actual/360" is specified in the Final Terms, the number of days actually elapsed in the Calculation Period divided by 360;
- (E) if "30/360", "360/360" or "Bond Basis" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (1) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (F) if "30E/360" or "Eurobond Basis" is specified in the Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year

of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

*(vii) Notification of Rate of Interest and Interest Amount*

The Calculation Agent will cause the Rate of Interest, each Interest Amount for each Specified Period, each Specified Period, and the relating Interest Payment Date to be notified to the Issuer and to the Noteholders in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth Business Day (as defined below) in London or such other financial center as specified in the applicable Final Terms. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Specified Period. Any such amendment will be promptly notified to the Noteholders in accordance with Condition 11.

*(viii) Determinations to be Final*

All determinations made for the purpose of the provisions of this paragraph (b) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Issuing Agent, the Registrar and all Noteholders.

**(c) Index-Linked Interest Note and Dual Currency Note**

In the case of an Index-Linked Interest Note or Dual Currency Note, if the rate or amount of interest falls to be determined by reference to an index, other factor and/or a formula or, as the case may be, a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Final Terms. Subparagraphs (b)(i), (v), (vi), (vii) and (viii) shall apply mutatis mutandis.

**(d) Partly-Paid Note**

In the case of a Partly-Paid Note, interest will accrue as aforesaid on the paid-up nominal amount of such Note and otherwise as specified in the Final Terms.

**(e) Accrual of Interest**

The Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for such redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue beyond the due date until the actual redemption of the Note (or the respective part thereof) but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 11 to the effect that the necessary funds for redemption have been provided to the Issuing Agent. The rate of interest shall in such case be the general rate of interest provided for the Note as specified in the Final Terms.

**5. Redemption and Purchase**

**(a) At Maturity**

Unless the Notes are Perpetual Notes, as set forth in the Final Terms, and unless previously redeemed in whole or in part or purchased and cancelled as specified below, the Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Final Terms in the Specified Currency on the Maturity Date specified in the Final Terms (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the Redemption Month specified in the Final Terms (in the case of a Floating Rate Note).

**(b) Final Terms**

The Final Terms in relation to any Note will specify either:

- (i) that the Note cannot be redeemed prior to its Maturity Date or, if the Note is a Floating Rate Note, the Interest Payment Date falling in the Redemption Month; or
- (ii) that the Note will be redeemable at the option of the Issuer prior to the Maturity Date or, as the case may be, the Interest Payment Date falling in the Redemption Month in accordance with the provisions of paragraphs (c) and/or (d) below on the date or dates and at the amount or amounts specified in the Final Terms.

**(c) *Redemption at the Option of the Issuer***

If so specified in the Final Terms, the Issuer may, having (unless otherwise specified in the Final Terms) given not more than 60 nor less than 30 days' notice to the Issuing Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), the Note then outstanding in whole or in part on the Optional Redemption Date(s) at the Optional Redemption Amount specified in, or determined in the manner specified in, the Final Terms together, if appropriate, with accrued interest. In the event of a redemption of the Note in part, such redemption must be of a nominal amount being not lower than the Minimum Redemption Amount and not higher than the Maximum Redemption Amount, both as specified in the Final Terms.

**(d) *Installments***

If the Note is repayable in installments, it will be redeemed in the Installment Amounts and on the Installment Dates specified in the Final Terms.

**(e) *Purchases***

The Issuer or any of its affiliates may at any time purchase the Note. The Note purchased by the Issuer as aforesaid may, at the option of the Issuer, be held, resold or surrendered for cancellation.

**(f) *Cancellation***

The Note redeemed in full upon its becoming due and payable will be cancelled forthwith and may not be reissued or resold.

**(g) *Late Payment on Zero Coupon Notes***

Should the Issuer fail to pay upon presentation of a Zero Coupon Note the amount due, interest at the rate of the Amortisation or Accrual Yield specified in the Final Terms shall accrue from the due date until the actual redemption of such Zero Coupon Note, but not beyond the beginning of the fourteenth day after a notice has been given by the Issuing Agent in accordance with Condition 11 to the effect that the necessary funds for redemption have been provided to the Issuing Agent.

**6. *Payments***

Payment of principal and interest in respect of the Note shall be made on the respective due date therefor to the person shown on the Register as the Noteholder at the close of business on the fifteenth Business Day before such due date (the "Record Date").

**(a) *Method of Payment***

Subject as provided below:

- (i) payments of amounts due in respect of Notes denominated in a currency other than Euro will be made by transfer to an account in the Specified Currency (which expression shall mean the freely negotiable and convertible currency which on the respective due date is the legal tender in the country of the Specified Currency) maintained by the payee with a bank in the principal financial center of the country of the Specified Currency notified to the Issuing Agent no later than the Record Date; and
- (ii) payments of amounts due in respect of Notes denominated in Euro will be made in Euro by transfer to a Euro account maintained by the payee with a bank in a principal financial center of a country

which on the due date for payment is a participating member state of the European Monetary Union notified to the Issuing Agent no later than the Record Date;

- (iii) payment will be subject in all cases to applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8.

**(b) Payment Day**

If the date for payment in respect of any Note is not (i) a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign currencies) in the principal financial center of the country where the account of the payee is maintained in accordance with the foregoing and (ii) a Business Day (as defined below), then the Noteholder shall not be entitled to payment until the next such payment day in such place and shall not be entitled to further interest or other payment in respect of such delay.

“Business Day” means (unless otherwise specified in the Final Terms) a day which is:

- (i) in relation to a Note denominated in a currency other than Euro a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London and settle payments in the principal financial center of the country of the Specified Currency and such Additional Financial Center(s) (if any), as specified in the Final Terms; and
- (ii) in relation to a Note denominated in Euro, a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer system (“TARGET”) are operational to effect the relevant payment and, if so specified in the Final Terms, a day on which commercial banks and foreign exchange markets are open for business and settle payments in such Additional Financial Center(s) as specified in the Final Terms.

**(c) Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to the “principal” or “principal amount” of the Note shall be deemed to include, as applicable:

- (i) the Final Redemption Amount of the Note;
- (ii) the Optional Redemption Amount(s) (if any) of the Note;
- (iii) in relation to a Note redeemable in installments, the Installment Amounts; and
- (iv) any premium and other amounts which may be payable under or in respect of the Note.

**7. Issuing Agent, Registrar and Calculation Agent**

The names of the initial Issuing Agent and Registrar and the initial Calculation Agent (if any, and provided that it is different from the Issuing Agent) and their initial specified offices are set out on the relevant Note.

The Issuer is entitled to vary or terminate the appointment of any Issuing Agent and Registrar or Calculation Agent (if any, and provided that it is different from the Issuing Agent) and/or appoint another Issuing Agent and Registrar or Calculation Agent and/or approve any change in the specified office through which any Issuing Agent and Registrar and Registrar or Calculation Agent (if any) acts, provided that:

- (i) there will at all times be an Issuing Agent and Registrar; and
- (ii) to the extent that a Calculation Agent is required to be appointed, there will at all times be a Calculation Agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholder in accordance with Condition 11 provided that no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date, as the case may be.

The Issuing Agent, the Registrar and the Calculation Agent (if any) act solely as agents of the Issuer and do

not have any obligations towards or relationship of agency or trust to any Noteholder.

#### **8. Taxation**

Principal and interest in respect of this Note shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in the Federal Republic of Germany or, if any Note is issued through a branch, the jurisdiction where such branch is established, or by or on behalf of any political subdivision or authority thereof or therein having power to tax, unless such deduction or withholding is required by law.

#### **9. Replacement of the Note**

If this Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the applicant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a replacement Note will be issued.

#### **10. Prescription Period**

The obligations of the Issuer to pay principal and interest in respect of this Note shall be prescribed (i) in respect of principal upon the expiry of 10 years following the respective due date for the payment of principal and (ii) in respect of interest upon the expiry of 4 years following the respective due date for the relevant payment of interest.

#### **11. Notices**

Notices to the Noteholder may be given, and are valid if given, by post or fax at the address or fax number of the Noteholder appearing in the Register.

#### **12. Applicable Law, Place of Performance and Place of Jurisdiction**

(a) This Note, as to form and content, and all rights and duties of the Noteholders, the Issuer, the Issuing Agent, the Registrar and the Calculation Agent shall in all respects be subject to the law of the Federal Republic of Germany.

(b) The place of performance shall be Munich.

(c) The place of jurisdiction for all proceedings arising out of or in connection with this Note shall be Munich. The Noteholder, however, may also pursue its claims before any other courts having jurisdiction over the Issuer. The Issuer hereby submits to the jurisdiction of the courts referred to in this paragraph.

(d) Should any provision of these Terms and Conditions be or become void, the other provisions shall remain in force. Such provisions as are void or cannot be given effect shall be replaced in accordance with the meaning and purpose of these Terms and Conditions.

## IX. FORMS OF FINAL TERMS

Each Tranche of Notes in bearer form (“Bearer Notes”) or Pfandbriefe, which are (as indicated in the applicable Final Terms (Bearer Notes)) (i) subject to the TEFRA D Rules, (ii) subject to the TEFRA C Rules and exchangeable for Definitive Notes or (iii) neither subject to the TEFRA C Rules nor the TEFRA D Rules and exchangeable for Definitive Notes, will initially be represented by a Temporary Global Note, together with the Terms and Conditions (Bearer Notes) as supplemented or amended by the Final Terms (Bearer Notes) relating to such Tranche attached thereto. Each Tranche of Bearer Notes other than Pfandbriefe, which are (as indicated in the applicable Final Terms (Bearer Notes)) (i) subject to the TEFRA C Rules and not exchangeable for Definitive Notes or (ii) neither subject to the TEFRA C Rules nor the TEFRA D Rules and not exchangeable for Definitive Notes will be represented by a Permanent Global Note, without interest coupons or talons, together with the Terms and Conditions (Bearer Notes) as supplemented or amended by the Final Terms (Bearer Notes) relating to such Tranche attached thereto. Each Temporary Global Note and Permanent Global Note will be delivered to a common depository or, in the case of Notes issued in NGN form, to the common safekeeper for Euroclear and Clearstream, Luxembourg or a depository for any Alternative Clearing System (as specified in the applicable Final Terms). A Temporary Global Note will be exchanged, in accordance with its terms, for (i) a Permanent Global Note or (ii) Definitive Notes or (iii) to the extent that Euroclear and Clearstream, Luxembourg and/or the relevant Alternative Clearing System so permit, in part Definitive Notes and in part Collective Notes.

Each Tranche of Pfandbriefe in bearer form (“Bearer Pfandbriefe”), which are (as indicated in the applicable Final Terms (Bearer Pfandbriefe)) subject to the TEFRA D Rules, will initially be represented by a Temporary Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto. Each Tranche of Pfandbriefe in bearer form, which are (as indicated in the applicable Final Terms (Bearer Pfandbriefe)) (i) subject to the TEFRA C Rules or (ii) neither subject to the TEFRA C Rules nor the TEFRA D Rules will be represented by a Permanent Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto. The Temporary Global Pfandbrief and the Permanent Global Pfandbrief will be delivered to a common depository for Euroclear and Clearstream, Luxembourg or a depository for any Alternative Clearing System. A Temporary Global Pfandbrief will be exchanged, in accordance with its terms, for a Permanent Global Pfandbrief, together with the Terms and Conditions (Bearer Pfandbriefe) as supplemented or amended by the Final Terms (Bearer Pfandbriefe) relating to such Tranche attached thereto.

A Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, representing TEFRA D Notes will be so exchanged on or after the date (the “Exchange Date”) which is 40 days after the date on which the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, is issued, in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms of the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, unless certification has already been given pursuant to the second sentence of this paragraph. Whilst any Note which is subject to the TEFRA D Rules is represented by a Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, payments of principal and interest (if any) due prior to the Exchange Date will be made against presentation of the Temporary Global Note only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form set out in the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be) has been received by Euroclear and/or Clearstream, Luxembourg. The holder of the Temporary Global Note or the Temporary Global Pfandbrief, as the case may be, will not be entitled to collect any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement, the Issuing Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned security code numbers of Euroclear and Clearstream, Luxembourg and, if applicable, any Alternative Clearing System which are different from the security code numbers assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche as certified by the Issuing Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a Temporary Global Note or a Temporary Global Pfandbrief, as the case may be, representing Notes which are not subject to the TEFRA D Rules and on a Permanent



Global Note or a Temporary Global Pfandbrief, as the case may be, will be made through Euroclear and Clearstream, Luxembourg and, if applicable, any Alternative Clearing System against presentation or surrender (as the case may be) of such Global Note without any requirement for certification.

Each issue of Pfandbriefe in registered form will be represented by a single Registered Pfandbrief, together with the Terms and Conditions (Registered Pfandbriefe) as supplemented or amended by the Final Terms (Registered Pfandbriefe) relating to such issue attached thereto. Registered Pfandbriefe will not be delivered to Euroclear or Clearstream, Luxembourg or any Alternative Clearing System.

The following legend will appear on all Global Notes and Definitive Notes representing Notes which are subject to the TEFRA D Rules, as well as on interest coupons attached to such Notes:

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

The sections referred to above provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will be entitled to capital gains treatment of any gain on any sale, disposition or payment of principal in respect of Notes or interest coupons.

## 1. Final Terms (Bearer Notes)

The Final Terms relating to each Tranche of Bearer Notes (other than Pfandbriefe) will contain such of the following information as is applicable in respect of such Notes.

**[Potential purchasers of these Notes should be aware that [the amounts of interest] [and] [the return of principal on these Notes] is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. [Nevertheless, in no circumstances may the Notes be redeemed for less than par.]]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

[acting through its [Place of Branch] branch]

Issue of [Aggregate Principal Amount of Tranche][Title of Notes]

under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Notes) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Notes) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●] and the [Prospectus] dated [original date] [and supplemented on ●]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer ([www.hyporealestatebank.de](http://www.hyporealestatebank.de)) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 then the directions apply only if the redemption at par is guaranteed.]*

### GENERAL INFORMATION

1. Issuer [ ]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [ ]
4. Aggregate Principal Amount: [ ]  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]

### DESCRIPTION OF THE ISSUE

5. [(i)] Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
6. Specified Denomination(s): [ ]  
*(minimum Euro 1,000)*
7. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date (if different from the Issue Date): [ ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: [●% Fixed Rate]  
[[specify reference rate] +/- ●% Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest]  
[Other (specify)]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index-Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Installment]  
[Other (specify)]

11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. Status of the Notes: [Senior/[Dated/Perpetual/]Subordinated]
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
*[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iii) Additional Business Center(s): [ ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]

(v)	Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent) (specify name and address):	[       ]
(vi)	Screen Rate Determination:	
	—Reference Rate:	[       ]
	—Interest Determination Date(s):	[       ]
	—Relevant Screen Page and time:	[       ]
(vii)	ISDA Determination:	
	—Floating Rate Option:	[       ]
	—Designated Maturity:	[       ]
	—Reset Date:	[       ]
(viii)	Margin(s):	[+/-][       ] per cent. per annum
(ix)	Minimum Rate of Interest:	[       ] per cent. per annum
(x)	Maximum Rate of Interest:	[       ] per cent. per annum
(xi)	Floating Day Count Fraction:	[       ]
(xii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[       ]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	[Amortisation/Accrual] Yield:	[       ] per cent. per annum
(ii)	Reference Price:	[       ]
(iii)	Any other formula/basis of determining amount payable:	[       ]
18.	<b>Index-Linked Interest Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Index/other factor/formula:	[give or annex details]
(ii)	Calculation Agent responsible for calculating the rate and amount of interest due (specify name and address):	[       ]
(iii)	Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula:	[       ]
(iv)	Determination Date(s):	[       ]
(v)	Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable:	[       ]
(vi)	Interest or calculation period(s):	[       ]
(vii)	Specified Interest Payment Dates:	[       ]
(viii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]

- (ix) Additional Business Center(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due (specify name and address): [ ]
- (iii) Provisions for determining the rate and amount of interest due where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **Call Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]

21. **Put Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]

22. **Final Redemption Amount** [Par/other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked:

- (i) Index/other factor/formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount (specify name and address): [ ]

- (iii) Provisions for determining the Final Redemption Amount where calculated by reference to an index, other factor and/or formula: [       ]
- (iv) Determination Date(s): [       ]
- (v) Provisions for determining the Final Redemption Amount where calculation by reference to index, other factor and/or formula is impossible or impracticable or otherwise disrupted: [       ]
- (vi) Payment Date: [       ]
- (vii) Minimum Final Redemption Amount: [       ]
- (viii) Maximum Final Redemption Amount: [       ]

**23. Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [       ]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 24. Form of Notes: [TEFRA D Rules:  
[Temporary Global Note exchangeable for a Permanent Global Note.]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note.]]  
[TEFRA C Rules:  
[Permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note(s).]]  
[Neither TEFRA D nor TEFRA C Rules:<sup>1</sup>  
[Permanent Global Note]  
[Temporary Global Note exchangeable for Definitive Notes/Definitive Notes and Collective Global Note.]]
- 25. Type of Global Note [New Global Note/  
Classical Global Note / Not Applicable]  
*(Applicable only if Clearing System is Euroclear or Clearstream Luxembourg)*
- 26. Notes are intended to be held in a manner which would allow Eurosystem eligibility [Yes/No]  
*(Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper*

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<sup>1</sup> Applicable only if Notes have an initial maturity of one year or less.

*and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria)*

27. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. *Note that this item relates to the place of payment, and no interest period end dates, to which item 16(iii) relates]*
28. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details]*
29. 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/give details]
30. Details relating to Installment Notes; Installment Amounts and Installment Dates: [Not Applicable/give details]
31. Redenomination, renominalization and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
32. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
33. Other terms or special conditions: [Not Applicable/give details]

**DISTRIBUTION**

34. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup> of Managers [and underwriting commitments]<sup>\*\*\*</sup> : [Not Applicable/give names] [*addresses and details on underwriting commitments*]<sup>\*\*\*</sup>  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers. Give Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered)*<sup>\*\*\*</sup>
- (ii) Date of Subscription Agreement: [date/Not Applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]



- (vi) Dealer's/Lead Manager's account number: [       ]
35. If non-syndicated, name [and address]\*\*\* of Dealer: [Not Applicable/give name [and address]\*\*\*]
36. Total commission and concession: [       ] per cent. of the Aggregate Principal Amount][Not Applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
37. Additional selling restrictions: [Not Applicable/give details]
38. Non-exempt Offer [Not Applicable][applicable]  
*(Not applicable in Germany. If applicable in the jurisdiction(s) of the relevant Member State(s), insert: "An offer of the Instruments may be made by the Dealer(s) [and [specify, if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] during the period from [specify date] until [specify date]".)*

#### PART B - OTHER INFORMATION

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not Applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (i) Estimated net proceeds: [Not Applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*

(ii) Estimated total expenses:

[Not Applicable/specify details including breakdown of expenses]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (i) and (ii) above when there are reasons for the offer different from making profit and/or hedging certain risks)*

**4. INFORMATION CONCERNING THE NOTES  
(others than contractual terms)**

Securities identification numbers

Common Code: [       ]

ISIN Code: [       ]

German Securities Code: [       ]

Any other securities number: [       ]

Clearing System(s) where the Notes are deposited : [specify details]

*(Need to include also addresses if different from those mentioned in Section III.6. of the Debt Issuance Program Prospectus)*

*[Index-Linked Notes only – Performance of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:*

*[specify details]  
(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable). Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket)]*

[Dual Currency Notes only - Description [and performance]\*\*\* of Rate of Exchange and explanation of effect on value of investment:

[specify details]

*(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)*

*(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)*

[Fixed Rate Notes only - Yield on issue price and method of calculation:

[specify details]

[Calculated as [include details of method of calculation in summary form]\*\*\* on the Issue 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.]

[Floating Rate Notes only - Historic Interest Rates:

Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Reuters].]\*\*\*

[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):

[None/specify details]\*\*\*

## 5. TERMS AND CONDITIONS OF THE OFFER

### Conditions, offer statistics, expected time table and action required to apply for offer

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities

[Not Applicable/specify details]

and for its delivery:

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

[Not Applicable/*specify details*]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised:

[Not Applicable/*specify details*]

#### **Plan of distribution and allotment**

Various categories of potential investors to which the Notes are offered:

[Professional Investors/Others - *specify details*]

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

[Not Applicable/*specify details*]

#### **Pricing**

Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/*specify details*]

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

Listing:

[Luxembourg/other (*specify*)/None]

Admission to trading:

[Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [            ]]

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)\*\*\**

Estimate of total amount of expenses related to admission to trading:

[            ]\*\*

### **7. ADDITIONAL INFORMATION**

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus):

[None/The Notes to be issued have been rated:

[S & P: [            ]]

[Moody's: [            ]]

[Fitch: [            ]]

[DBRS: [            ]]

[Other: [            ]]

*(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)\*\*\**

## Notification

As of the date of these Final Terms and to the knowledge [Germany/others (*specify*)/None] of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries:

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. [[*Information on the underlying*] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] [The Issuer does not intend to provide any post-issuance information, except if required by any applicable laws and regulation.] [Post-issuance information relating to [●] can be obtained from [●]]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

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\*\* Delete if the minimum denomination is less than Euro 50,000.

\*\*\* Delete if the minimum denomination is at least Euro 50,000.

## 2. Final Terms (Bearer Pfandbriefe)

The Final Terms relating to each Tranche of Pfandbriefe in bearer form will contain such of the following information as is applicable in respect of such Notes.

**[Potential purchasers of these Notes should be aware that the amounts of interest is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. Nevertheless, in no circumstances may the Notes be redeemed for less than par.]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

Issue of [Aggregate Principal Amount of Tranche][Title of Notes]  
under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Bearer Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●] and the [Prospectus] dated [original date] [and supplemented on ●]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer ([www.hyporealestatebank.de](http://www.hyporealestatebank.de)) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].]

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 then the directions apply only if the redemption at par is guaranteed.]*

### GENERAL INFORMATION

- |   |  |
|---|--|
| 1. Issuer   | [ ]  |
| 2. Type of Notes:   | [Mortgage Pfandbriefe]<br>[Public Pfandbriefe] |
| 3. [(i)] Series Number:   | [ ]  |
| [(ii)] Tranche Number:  | [ ]  |
| (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.) |  |
| 4. Specified Currency or Currencies:  | [ ]  |
| 5. Aggregate Principal Amount:  | [ ]  |
| [(i)] Series:   | [ ]  |
| [(ii)] Tranche:   | [ ]  |

### DESCRIPTION OF THE ISSUE

- |   |  |
|---|--|
| 6. [(i)] Issue Price:   | [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from <i>[insert date]</i> (in the case of fungible issues only, if applicable)]                       |
| 7. Specified Denomination(s):   | [ ]<br><i>(minimum Euro 1,000)</i>   |
| 8. [(i)] Issue Date:  | [ ]  |
| [(ii)] Interest Commencement Date (if different from the Issue Date): | [ ]  |
| 9. Maturity Date:   | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]</i>  |
| 10. Interest Basis:   | [●% Fixed Rate]<br>[[specify reference rate] +/- ●% Floating Rate]<br>[Zero Coupon]<br>[Index-Linked Interest]<br>[Other (specify)]<br>(further particulars specified below) |
| 11. Redemption/Payment Basis:   | Redemption at par  |
| 12. Change of Interest or Redemption/Payment Basis:                   | <i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>  |

13. Call Options: [Issuer Call] [(further particulars specified below)]

14. Method of distribution: [Syndicated/Non-syndicated]

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

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

(ii) Interest Payment Date(s): [ ] in each year

(iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount

(iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*

(v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]

(vi) Determination Date(s): [ ] in each year  
*[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]

16. **Floating Rate Note Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)*

(i) Specified Period(s)/Specified Interest Payment Dates: [ ]

(ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

(iii) Additional Business Center(s): [ ]

(iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]

(v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent) (specify name and address): [ ]

(vi) Screen Rate Determination:



—Reference Rate:	[ ]
—Interest Determination Date(s):	[ ]
—Relevant Screen Page and time:	[ ]
(vii) ISDA Determination:	
—Floating Rate Option:	[ ]
—Designated Maturity:	[ ]
—Reset Date:	[ ]
(viii) Margin(s):	[+/-] [ ] per cent. per annum
(ix) Minimum Rate of Interest:	[ ] per cent. per annum
(x) Maximum Rate of Interest:	[ ] per cent. per annum
(xi) Floating Day Count Fraction:	[ ]
(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
<b>17. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) [Amortisation/Accrual] Yield:	[ ] per cent. per annum
(ii) Reference Price:	[ ]
(iii) Any other formula/basis of determining amount payable:	[ ]
<b>18. Index-Linked Interest Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Index/other factor/formula:	[give or annex details]
(ii) Calculation Agent responsible for calculating the rate and amount of interest due (specify name and address):	[ ]
(iii) Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula:	[ ]
(iv) Determination Date(s):	[ ]
(v) Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable:	[ ]
(vi) Interest or calculation period(s):	[ ]
(vii) Specified Interest Payment Dates:	[ ]
(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
(ix) Additional Business Center(s):	[ ]
(x) Minimum Rate/Amount of Interest:	[ ] per cent. per annum
(xi) Maximum Rate/Amount of Interest:	[ ] per cent. per annum
(xii) Day Count Fraction:	[ ]

19. **Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due (specify name and address): [ ]
- (iii) Provisions for determining the rate and amount of interest due where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

#### PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]
21. **Final Redemption Amount** Par

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: [TEFRA D Rules:  
Temporary Global Note exchangeable for a Permanent Global Note.]  
[TEFRA C Rules:  
Permanent Global Note]  
[Neither TEFRA D nor TEFRA C Rules: (1)  
Permanent Global Note]
23. Type of Global Note [New Global Note/  
Classical Global Note / Not Applicable]  
*(Applicable only if Clearing System is Euroclear or Clearstream Luxembourg)*
24. Notes are intended to be held in a manner which would allow Eurosystem eligibility [Yes/No]  
*(Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any*

*or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria)*

25. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 16(iii) relates]
26. 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/give details]
27. Details relating to Installment Notes; Installment Amounts and Installment Dates: [Not Applicable/give details]
28. Redenomination, renominialization and reconventioning provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
29. Consolidation provisions: [Not Applicable/The provisions annexed to this Final Terms apply]
30. Other terms or special conditions: [Not Applicable/give details]

#### **DISTRIBUTION**

31. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup> of Managers [and underwriting commitments]<sup>\*\*\*</sup>: [Not Applicable/give names] [addresses and details on underwriting commitments]<sup>\*\*\*</sup>  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers. Give Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered)<sup>\*\*\*</sup>*
- (ii) Date of Subscription Agreement: [date/Not Applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) Dealer's/Lead Manager's account number: [ ]
32. If non-syndicated, name [and address]<sup>\*\*\*</sup> of Dealer: [Not Applicable/give name [and address]<sup>\*\*\*</sup>]
33. Total commission and concession: [[ ] per cent. of the Aggregate Principal Amount] [Not Applicable]

*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*

34. Additional selling restrictions:

[Not Applicable/give details]

35. Non-exempt Offer

[Not Applicable][applicable]  
*(Not applicable in Germany. If applicable in the jurisdiction(s) of the relevant Member State(s), insert: "An offer of the Instruments may be made by the Dealer(s) [and [specify, if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported] during the period from [specify date] until [specify date]".)*

## PART B - OTHER INFORMATION

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not Applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
  - (i) Estimated net proceeds: [Not Applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*
  - (ii) Estimated total expenses: [Not Applicable/specify details including breakdown of expenses]
4. **INFORMATION CONCERNING THE NOTES (others than contractual terms)**

Securities identification numbers

Common Code: [ ]

ISIN Code: [ ]

German Securities Code: [ ]

Any other securities number: [ ]

Clearing System(s) where the Notes are deposited : [specify details]

*(Need to include also addresses if different from those mentioned in Section III.6. of the Debt Issuance Program Prospectus)*

*[Index-Linked Notes only - Performance of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:*

*[specify details]  
(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable). Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket)]*

*[Dual Currency Notes only - Description [and performance]\*\* of Rate of Exchange and explanation of effect on value of investment:*

*[specify details]  
(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)  
  
(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Fixed Rate Notes only - Yield on issue price and method of calculation:]*

*[specify details]  
[Calculated as [include details of method of calculation in summary form]\*\* on the Issue 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.]

[*Floating Rate Notes only* - Historic Interest Rates:

Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Telerate].]\*\*\*

[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):

[None/specify details]]\*\*\*

## 5. TERMS AND CONDITIONS OF THE OFFER

### Conditions, offer statistics, expected time table and action required to apply for offer

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) [ ] or such earlier or later date or time as the Issuer may determine and will be announced in [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities and for its delivery:

[Not Applicable/specify details]

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

[Not Applicable/specify details]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised:

[Not Applicable/specify details]

### Plan of distribution and allotment

Various categories of potential investors to which the Notes are offered:

[Professional Investors/Others - specify details]

Process for notification to applicants of the amount

allotted and indication whether dealing may begin before notification is made: [Not Applicable/*specify details*]

### **Pricing**

Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*specify details*]

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

Listing: [Luxembourg/other (*specify*)/None]

Admission to trading: [Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [   
*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)*\*\*\*

Estimate of total amount of expenses related to admission to trading: [ ]\*\*

## **7. ADDITIONAL INFORMATION**

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus): [None/The Notes to be issued have been rated:   
[S & P: [ ]]   
[Moody's: [ ]]   
[Fitch: [ ]]   
[DBRS: [ ]]   
[Other: [ ]]

*(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)*\*\*\*

### **Notification**

As of the date of these Final Terms and to the knowledge of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries: [Germany/others (*specify*)/None]

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Final Terms. *[[Information on the underlying]* has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

---

*\*\* Delete if the minimum denomination is less than Euro 50,000.*

*\*\*\* Delete if the minimum denomination is at least Euro 50,000.*



### 3. Final Terms (Registered Pfandbriefe)

The Final Terms relating to each issue of a Pfandbrief in registered form will contain such of the following information as is applicable in respect of such Note.

**[Potential purchasers of these Notes should be aware that the amounts of interest is linked to the performance of [an index] [,] [an factor][and/or] [a formula], as more fully set out herein. Nevertheless, in no circumstances may the Notes be redeemed for less than par.]\***

\* *Insert for Index-Linked Notes.*

[Date]

Hypo Real Estate Bank Aktiengesellschaft

Issue of [Aggregate Principal Amount of Note][Title of Note]  
under the

**Euro 25,000,000,000**

**Debt Issuance Program**

**Hypo Real Estate Bank Aktiengesellschaft**

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Registered Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. This Final Terms must be read in conjunction with such Debt Issuance Program Prospectus [as so supplemented]. Full information is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus [as so supplemented]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer (<http://www.hyporealestatebank.de>) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”). Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (Registered Pfandbriefe) set forth in the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●]. The Final Terms are to be read in conjunction with the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●], save in respect of the Terms and Conditions which are extracted from the [Prospectus] dated [original date] [and supplemented on ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Debt Issuance Program Prospectus dated 14 May 2008 [and supplemented on ●] and the [Prospectus] dated [original date] [and supplemented on ●]. The Debt Issuance Program Prospectus[, the Supplements] and the Final Terms have been published on the website of the Issuer ([www.hyporealestatebank.de](http://www.hyporealestatebank.de)) [and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>)].]

## PART A - CONTRACTUAL TERMS

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms. If this form of Final Terms refers to the minimum denomination of Notes in Euros the same applies for Notes issued in currencies other than Euros if the minimum denomination is nearly equivalent to the amount in Euros. If this form of Final Terms refers to Notes with a minimum denomination of Euro 50,000 then the directions apply only if the redemption at par is guaranteed.]*

### GENERAL INFORMATION

- |                                      |  |
|--------------------------------------|--|
| 1. Issuer                            | [ ]  |
| 2. Type of Notes:                    | [Mortgage Pfandbriefe]<br>[Public Pfandbriefe] |
| 3. Series Number:                    | [ ]  |
| 4. Specified Currency or Currencies: | [ ]  |
| 5. Aggregate Principal Amount:       | [ ]  |

### DESCRIPTION OF THE ISSUE

- |   |  |
|---|--|
| 6. Issue Price:   | [ ] per cent. of the Aggregate Principal Amount  |
| 7. Specified Denominations:   | [ ]<br><i>(minimum Euro 1,000)</i>   |
| 8. [(i)] Issue Date:  | [ ]  |
| [(ii)] Interest Commencement Date (if different from the Issue Date): | [ ]  |
| 9. Maturity Date:   | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]</i>  |
| 10. Interest Basis:   | [●% Fixed Rate]<br>[[specify reference rate] +/- ●% Floating Rate]<br>[Zero Coupon]<br>[Index-Linked Interest]<br>[Other (specify)]<br>(further particulars specified below) |
| 11. Redemption/Payment Basis:   | Redemption at par  |
| 12. Change of Interest or Redemption/Payment Basis:                   | <i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>  |
| 13. Call Options:   | [Issuer Call]<br>[(further particulars specified below)]   |
| 14. Method of distribution:   | Non-syndicated   |

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

- |                                       |  |
|---------------------------------------|--|
| 15. <b>Fixed Rate Note Provisions</b> | [Applicable/Not Applicable]<br><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Rate[(s)] of Interest:            | [ ] per cent. per annum [payable   |

- [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Principal Amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Fixed Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [ ] in each year  
*[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates]*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for a Fixed Rate Note: [Not Applicable/give details]
- 16. Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also, consider whether Euro BBA LIBOR or EURIBOR is the appropriate reference rate)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iii) Additional Business Center(s): [ ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing Agent) (specify name and address): [ ]
- (vi) Screen Rate Determination:  
 —Reference Rate: [ ]  
 —Interest Determination Date(s): [ ]  
 —Relevant Screen Page and time: [ ]
- (vii) ISDA Determination:  
 —Floating Rate Option: [ ]  
 —Designated Maturity: [ ]  
 —Reset Date: [ ]
- (viii) Margin(s): [+/-] [ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Floating Day Count Fraction: [ ]
- (xii) Fall back provisions, rounding provisions, [ ]

denominator and any other terms relating to the method of calculating interest on a Floating Rate Note, if different from those set out in the Conditions:

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]
  - (iii) Any other formula/basis of determining amount payable: [ ]
18. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/other factor/formula: [give or annex details]
  - (ii) Calculation Agent responsible for calculating the rate and amount of interest due (specify name and address): [ ]
  - (iii) Provisions for determining Coupon where calculated by reference to an index, other factor and/or formula: [ ]
  - (iv) Determination Date(s): [ ]
  - (v) Provisions for determining the rate and amount of interest due where calculation by reference to an index, other factor and/or formula is impossible or impracticable: [ ]
  - (vi) Interest or calculation period(s): [ ]
  - (vii) Specified Interest Payment Dates: [ ]
  - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
  - (ix) Additional Business Center(s): [ ]
  - (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
  - (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
  - (xii) Day Count Fraction: [ ]
19. **Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due (specify name and address): [ ]
  - (iii) Provisions for determining the rate and amount of interest due where calculation by reference to Rate of Exchange is impossible or impracticable: [ ]
  - (iv) Person at whose option Specified Currency(ies) [ ]

is/are payable:

## PROVISIONS RELATING TO REDEMPTION

### 20. Call Option

[Applicable/Not Applicable]  
(If not applicable, delete the remaining  
sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method,  
if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the  
Conditions): [ ]

### 21. Final Redemption Amount

Par

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22. Form of Notes: [Global Note] [Other (specify)]
- 23. Additional Financial Center(s) or other special provisions  
relating to Payment Dates: [Not Applicable/give details. *Note that  
this item relates to the place of payment,  
and not interest period end dates, to  
which item 16(iii) relates*]
- 24. Details relating to a Partly-Paid Note: 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/give details]
- 25. Details relating to an Installment Note; Installment  
Amounts and Installment Dates: [Not Applicable/give details]
- 26. Redenomination, renominialization and  
reconventioning provisions: [Not Applicable/The provisions  
annexed to this Final Terms apply]
- 27. Consolidation provisions: [Not Applicable/The provisions an-  
nexed to this Final Terms apply]
- 28. Other terms or special conditions: [Not Applicable/give details]

## DISTRIBUTION

- 29. (i) If syndicated, names [and addresses]<sup>\*\*\*</sup>  
of Managers [and underwriting commitments]<sup>\*\*\*</sup>: [Not Applicable/give names] [addresses  
and details on underwriting  
commitments]<sup>\*\*\*</sup>  
  
*(Include names and addresses of entities  
agreeing to underwrite the issue on a  
firm commitment basis and names and  
addresses of the entities agreeing to  
place the issue without a firm commit-  
ment or on a "best efforts" basis if such  
entities are not the same as the Manag-  
ers. Give Indication of the material fea-  
tures of the agreements, including the  
quotas. Where not all of the issue is un-*

- derwritten, a statement of the portion not covered)*<sup>\*\*\*</sup>
- (ii) Date of Subscription Agreement: [date/Not Applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (iii) Stabilizing Manager(s) (if any): [Not Applicable/give name]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) Dealer's/Lead Manager's account number: [ ]
30. If non-syndicated, name [and address]<sup>\*\*\*</sup> of Dealer: [Not Applicable/give name [and address]<sup>\*\*\*</sup>]
31. Total commission and concession: [[ ] per cent. of the Aggregate Principal Amount] [Not Applicable]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
32. Additional selling restrictions: [Not Applicable/give details]

#### PART B - OTHER INFORMATION

1. **RISK FACTORS (others than those elaborated in Section IV.2 of the Debt Issuance Program Prospectus)** [None/specify details]
2. **INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER:** [None/specify details]
3. **REASONS FOR THE OFFER AND USE OF PROCEEDS (if different from making profit and/or hedging risks):** [None/Not Applicable/specify details]  
*(Not applicable in the case of Notes with a minimum denomination of Euro 50,000)*
- (i) Estimated net proceeds: [Not Applicable/specify details]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)*
- (ii) Estimated total expenses: [Not Applicable/specify details including breakdown of expenses]

4. **INFORMATION CONCERNING THE NOTES  
(others than contractual terms)**

Securities identification numbers

German Securities Code: [       ]

Any other securities number: [       ]

*[Index-Linked Notes only* - Performance of index/other factor/formula, explanation of effect on value of investment and other information concerning the underlying:

*[specify details]  
(Need to include details of where past and future performance and volatility of the index/other factor/formula can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include a description of any market disruption or settlement disruption events that affect the underlying and any adjustment rules in relation to events concerning the underlying (if applicable). Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a security need to include the name of the issuer of the security and the International Securities Identification Number (ISIN) or equivalent identification number. Where the underlying is a basket of underlyings, need to include the relevant weightings of each underlying in the basket)]*

*[Dual Currency Notes only* - Description [and performance]\*\*\* of Rate of Exchange and explanation of effect on value of investment:

*[specify details]  
(Need to include details of where past and future performance and volatility of the relevant rate can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying)  
  
(in case of Notes with a minimum denomination of Euro 50,000 a description of the underlying on which the rate is based and on the method to relate the two is sufficient)]*

*[Fixed Rate Notes only* - Yield on issue price and method of calculation:

*[specify details]  
[Calculated as [include details of method of calculation in summary form]\*\*\* on the Issue 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.]*

[*Floating Rate Notes only* - Historic Interest Rates:

Details of historic [LIBOR/EURIBOR/ other] rates can be obtained from [Telerate].]\*\*\*

[Information on taxes on the income from the Notes withheld at source in respect of countries where the offer is being made or admission to trading is being sought (other than those specified in the Debt Issuance Program Prospectus):

[None/specify details]]\*\*\*

## 5. TERMS AND CONDITIONS OF THE OFFER

### Conditions, offer statistics, expected time table and action required to apply for offer

Conditions to which the offer is subject:

[None/specify details]

Time period, including any possible amendments, during which the offer will be open:

[Not Applicable] [The offer of the Notes is expected to open at [ ] hours ([ ] time) on [ ] and close at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:

[Not Applicable/Subscriptions in excess of the Issue Amount will be reduced systematically. Reduction will be announced by the Issuer at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced [ ]]

Details of the minimum and/or maximum amount of application, (whether in number of notes or aggregate amount to invest):

[Not Applicable/specify details]

Method and time limits for paying up the securities and for its delivery:

[Not Applicable/specify details]

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

[Not Applicable/specify details]

The procedure for the exercise of any rights of pre-emption, the negotiability of subscription rights and the treatment of of subscription rights not exercised:

[Not Applicable/specify details]

### Plan of distribution and allotment

Various categories of potential investors to which the Notes are offered:

[Professional Investors/Others - specify details]

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

[Not Applicable/specify details]

### Pricing



Method of determining the offered price and the process for its disclosure and indication on the amount of any expenses and taxes specifically charged to the subscriber or purchaser:

[Not Applicable/specify details]

## 6. LISTING AND ADMISSION TO TRADING

Listing:

[Luxembourg/other (specify)/None]

Admission to trading:

[Not Applicable] [Application has been made for the Notes to be admitted to trading on [insert name of regulated market(s)] with effect from [

*(Where documenting a fungible issue need to indicate that original securities are already admitted to trading)*\*\*\*

Estimate of total amount of expenses related to admission to trading:

[ ]\*\*

## 7. ADDITIONAL INFORMATION

Ratings (others than those mentioned in Section IV. of the Debt Issuance Program Prospectus):

[None/The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[DBRS: [ ]]

[Other[ ]]

*(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider)*\*\*\*

Notification

As of the date of these Final Terms and to the knowledge of the Issuer, the *Commission de Surveillance du Secteur Financier* as the Competent Authority has been requested to provide a certificate of approval attesting that the Debt Issuance Program Prospectus has been drawn up in accordance with the Prospectus Directive to the competent authorities in the following countries:

[Germany/others (specify)/None]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms. *[[Information on the underlying]* has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorized

---

*\*\* Delete if the minimum denomination is less than Euro 50,000.*

*\*\*\* Delete if the minimum denomination is at least Euro 50,000.*

## X. German Pfandbriefe and the German Mortgage Banking Sector

### Introduction

Since 19 July 2005, the Pfandbrief operations of the Issuer are subject to the Pfandbrief Act (*Pfandbriefgesetz*) of 22 May 2005 which has come into force on 19 July 2005.

As from 19 July, the legislation accompanying the Pfandbrief Act, i.e. the Act on the Reorganisation of the Law on Pfandbriefe (*Gesetz zur Neuordnung des Pfandbriefrechts*), has rescinded all existing special legislation regarding the Pfandbrief business in Germany, including, *inter alia*, (i) the Mortgage Bank Act (*Hypothekbankgesetz*) applicable to the existing mortgage banks being specialist institutions authorised to issue Mortgage Pfandbriefe (*Hypothekpfandbriefe*) covered by mortgage loans as well as Public Pfandbriefe (*Öffentliche Pfandbriefe*) covered by obligations of public sector debtors (and, in either case, by certain other qualifying assets), (ii) the Act on Pfandbriefe and Related Bonds of Public-Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten*) in the version as published on September 9, 1998, as amended, applicable to various types of public sector banks including in particular the *Landesbanken*, in respect of Mortgage Pfandbriefe and Public Pfandbriefe issued by them, and (iii) finally, the the Act on Ship Pfandbrief Banks (*Gesetz über Schiffspfandbriefbanken*), as last amended on 5 April 2004, governing the operations of ship mortgage banks issuing Ship Pfandbriefe (*Schiffspfandbriefe*).

The Pfandbrief Act abolishes the concept of specialist Pfandbrief institutions hitherto prevailing in respect of the existing mortgage banks and ship mortgage banks. It establishes a new and uniform regulatory regime for all German credit institutions with respect to the issuance of Pfandbriefe. Since 19 July 2005, all German credit institutions are permitted, subject to authorisation and further requirements of the Pfandbrief Act, to engage in the Pfandbrief business and to issue Mortgage Pfandbriefe, Public Pfandbriefe as well as Ship Pfandbriefe, and, from such date onwards, existing mortgage banks and ship mortgage banks will be authorised to engage in most other types of banking transactions, eliminating the limitations in respect of the scope of their permitted business which existed in the past. The Act thus creates a level playing field for all German credit institutions including the *Landesbanken*, operating as universal banks and engaged in the issuance of Pfandbriefe.

German credit institutions wishing to take up the Pfandbrief business must obtain special authorisation under the German Banking Act (*Kreditwesengesetz* – “Banking Act”) from BaFin and, for that purpose, must meet some additional requirements as specified in the Pfandbrief Act.

According to the Pfandbrief Act, credit institutions which were entitled to issue Pfandbriefe until 19 July 2005 are grandfathered with regard to their existing authorisation and become Pfandbrief Banks. However, this is only the case, if and as far as they have filed a comprehensive notification with the BaFin no later than by 18 October 2005. For the purpose of this summary, banks authorized to issue Pfandbriefe will generally be referred to as “Pfandbrief Banks” which is the term applied by the Pfandbrief Act.

The following description includes only a summary of the fundamental principles of the German law governing the Pfandbriefe. It does not purport itself to be conclusive and is qualified by the applicable German laws, rules and regulations.

### Rules applicable to all types of Pfandbriefe

Pfandbriefe issued by Pfandbrief Banks are debt securities issued under German law that must be secured (“covered”) by mortgages or certain obligations of public sector debtors (or certain other qualifying assets) and whose terms must otherwise comply with the requirements and limitations imposed by the Pfandbrief Act. Such compliance is monitored by the BaFin.

Pfandbriefe are medium- to long-term bonds and have, as a general rule, a term of two to ten years, but may also have a longer term. Pfandbriefe are general obligations of the issuing bank, and no separate vehicle is created for their issuance in general or for the issuance of any specific series of Pfandbriefe. Traditionally, Pfandbriefe have borne interest at a fixed rate, but Pfandbrief Banks are also issuing zero-coupon and floating rate Pfandbriefe, in some cases with additional features such as step-up coupons, caps or floors. Most

issues of Pfandbriefe are denominated in Euro. A Pfandbrief Bank may, however, also issue Pfandbriefe in other currencies, subject to certain limitations. The terms of the Pfandbriefe may not give the holders any right to require redemption of the Pfandbriefe prior to their scheduled date of maturity.

Pfandbriefe may either be Mortgage Pfandbriefe (*Hypothekenspfandbriefe*), Public Pfandbriefe (*Öffentliche Pfandbriefe*) or Ship Pfandbriefe (*Schiffspfandbriefe*). The aggregate principal amount of the outstanding Pfandbriefe issued by a Pfandbrief Bank must be covered by assets that qualify for use as cover under the provisions of the Pfandbrief Act. One single pool of assets covers outstanding Mortgage Pfandbriefe, a pool of assets covers all outstanding Public Pfandbriefe, and another pool of assets covers all outstanding Ship Pfandbriefe, of the issuing bank. The aggregate principal amount of assets in any cover pool must at all times be at least equal to the aggregate principal amount of the outstanding Pfandbriefe issued against such cover pool. Moreover, the aggregate interest yield on any such cover pool must at all times be at least equal to the aggregate interest payable on all Pfandbriefe relating to the cover pool. In addition, the coverage of all outstanding Pfandbriefe with respect to principal and interest must at all times be ensured on the basis of the net present value (*Barwert*). Finally, the net present value of the assets contained in each cover pool must exceed the total amount of liabilities from the corresponding Pfandbriefe and derivatives by at least 2 per cent. (*sichernde Überdeckung*). Such 2 per cent. excess cover must consist of highly liquid assets. The following assets qualify for inclusion in the excess cover: (i) debt securities of the German government, a special fund of the German government, a German state (Land), the European Communities, any State of the European Economic Area, Switzerland, the United States of America, Canada, Japan, any other European state with full OECD member status, the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development; (ii) debt securities guaranteed by any of the foregoing entities; and (iii) credit balances maintained with the European Central Bank, the central banks of the member states of the European Union and/or appropriate credit institutions.

Any Pfandbrief Bank must establish an appropriate risk management system meeting the requirements specified in detail in the Pfandbrief Act and must comply with extensive quarterly and annual disclosure requirements, as set out in the Pfandbrief Act.

Under the Pfandbrief Act, each Pfandbrief Bank must keep a separate cover register (*Deckungsregister*) for each of its cover pools (*Deckungsmasse*) (i.e. one cover register for the Mortgage Pfandbriefe, one cover register for the Public Pfandbriefe and one cover register for the Ship Pfandbriefe) and in which the assets included in each of the three cover pools are registered. In order to ensure that the cover pools provide adequate coverage for the outstanding Pfandbriefe, the registration is supervised and controlled by a cover pool monitor (*Treuhänder*) who is appointed by the BaFin after consultation with the Pfandbrief Bank. In addition, the trustee also monitors the Pfandbrief Bank's compliance with other provisions of the Pfandbrief Act. Together with the Pfandbrief Bank, the trustee has joint custody of the assets included in the cover pools and of any documents evidencing such assets. Moreover, the Pfandbrief Bank may remove any assets from a cover pool only with the permission of the cover pool monitor. Any issuance of Pfandbriefe may take place only upon prior certification by the cover pool monitor that the relevant cover pool provides adequate coverage for the Pfandbriefe to be issued and the assets to be used as cover are listed in the relevant cover register. The Pfandbrief Bank may remove any assets from the cover pool only with the prior permission of the cover pool monitor. Such permission shall only be granted if and insofar as the remaining registered assets still cover the aggregate principal amount of the outstanding Pfandbriefe and the liabilities arising from derivatives as well as the 2 per cent. excess cover (*sichernde Überdeckung*). Accordingly, the holders of Pfandbriefe benefit indirectly from the monitoring activities conducted by the cover pool monitor. Although there is no judicial or administrative precedent in this respect, German opinion of authority holds that the holders of Pfandbriefe may bring a claim in tort for damages resulting from a negligent violation of the cover pool monitor's duties under the Pfandbrief Act (*Pfandbriefgesetz*). In addition, it has been held that the cover pool monitor owes no fiduciary duty to the holders of Pfandbriefe.

In addition to the monitoring conducted by the cover pool monitor, the BaFin conducts audits of each cover pool every two years. The BaFin also supervises the compliance of Pfandbrief Banks with the provisions of the Pfandbrief Act, including approval of the principal characteristics of the provisions of the loans and the resolution of disputes between the bank and the cover pool monitor. Furthermore, the Regulation on the Determination of the Mortgage Lending Value (*Beleihungswertermittlungsverordnung*) establishes a uni-

form method for determining the mortgage lending value for all German Pfandbrief Banks.

#### *Cover Pool for Mortgage Pfandbriefe*

In the case of Mortgage Pfandbriefe the cover pool is secured by mortgages (or portions thereof) which may serve as cover up to the initial 60 per cent. of the value of their underlying property, as assessed by experts of the Pfandbrief Bank different from those who take part in the credit decision, claims under certain swap and derivative transactions that meet certain requirements and certain other assets (up to certain thresholds) may qualify for inclusion in the cover pool. In addition, the mortgaged property must be adequately insured against relevant risks. A mortgaged property must be situated in a state of the European Economic Area, Switzerland, the United States of America, Canada or Japan. Other assets qualifying for inclusion in the cover pool for Mortgage Pfandbriefe include among others (i) equalization claims converted into bonds, (ii) subject to certain qualifications, assets qualifying for the 2 per cent. excess cover as described above, up to a total sum of 10 per cent. of the aggregate principal amount of outstanding Mortgage Pfandbriefe, and (iii) subject to certain thresholds, the assets which may also be included in the cover pool for Public Pfandbriefe referred to below, up to a total of 20 per cent. of the aggregate principal amount of outstanding Mortgage Pfandbriefe and (iv) claims arising under interest rate and currency swaps as well as under other qualifying derivatives contracted under standardized master agreements with certain qualifying counterparties, provided that the claims under such arising under such derivatives will not be prejudiced in the event of the insolvency of the Pfandbrief Bank or any other cover pool maintained by it. The amount of the claims of the Pfandbrief Bank arising from such derivatives which are included in the cover pool measured against the total amount of all assets forming part of the cover pool as well as the amount of liabilities of the Pfandbrief Bank arising from such derivatives measured against the aggregate principal amount of the outstanding Mortgage Pfandbriefe plus the liabilities arising from derivatives may in either case not exceed 12 per cent., calculated in each case on the basis of the net present values.

#### *Cover pool for Public Pfandbriefe*

Under the Pfandbrief Act the assets qualifying for the cover pool for Public Pfandbriefe include among others payment claims under certain loans, bonds or similar transactions of states and other public entities, including, but not limited to (i) the German government as well as any German state, municipality or other qualifying public body in Germany for which maintenance obligation (*Anstaltslast*) or a legally founded state guarantee obligation (*Gewährträgerhaftung*) or a state refinancing guarantee applies or which are legally entitled to raise fees, rates and other levies, (ii) any State of the European Economic Area, Switzerland, the United States, Canada or Japan, (iii) any other European state with full OECD member status, (iv) regional governments and local territorial authorities (provided that certain solvability conditions are met), (v) non-profit administrative authorities controlled by central or regional governments or local territorial authorities of any of the states referred to in (ii) above (provided that certain solvability conditions are met), (vi) the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank, or the European Bank for Reconstruction and Development, and (vii) any entity the obligations of which are guaranteed by a public entity referred to or mentioned in (i) through (iv) and (vi) above. In addition and subject to certain limitations, the cover pool for Public Pfandbriefe may also include (i) equalisation claims converted into bonds, (ii) credit balances maintained with the European Central Bank, a central bank of any EU member state or a suitable credit institution, up to a total sum of the aggregate principal amount of outstanding Public Pfandbriefe, and (iii) certain claims arising under certain derivative transactions as described above. The limitation applicable to Mortgage Pfandbriefe apply here as well.

#### *Additional regulatory requirements*

In addition to the provisions of the Pfandbrief Act, Pfandbrief Banks, like other types of German banks, are subject to governmental supervision and regulation in accordance with the Banking Act. Supervision is primarily conducted by the BaFin. In addition, the Deutsche Bundesbank in its capacity as the German central bank also holds some supervisory powers. The BaFin has comprehensive powers to instruct German banks to take actions to comply with applicable laws and regulations. In addition, German banks, including Pfandbrief Banks, are required to submit extensive confidential reports to the BaFin and the Deutsche Bundesbank, which include disclosure of the statistical and operational aspects of the banks' businesses. Within the scope of their oversight and regulatory capacities, each of the BaFin and the Deutsche Bundesbank may take immediate action whenever required.

In addition, under the Pfandbrief Act, the supervision of Pfandbrief Banks by the BaFin has gained significantly in importance, mainly the requirements concerning the transparency have increased.

#### *Status and protection of the Pfandbriefholders*

The holders of outstanding Pfandbriefe rank *pari passu* among themselves, and have preferential claims with respect to the assets registered in the relevant cover register (*Deckungsregister*). With respect to other assets of a Pfandbrief Bank, holders of Pfandbriefe rank *pari passu* with unsecured creditors of the Pfandbrief Bank.

In the event of the initiation of insolvency proceedings over the assets of a Pfandbrief Bank, none of the cover pools falls within the insolvency estate. If, however, simultaneously with or following the opening of insolvency proceedings over the assets of a Pfandbrief Bank, any of its cover pools becomes insolvent, insolvency proceedings will be instituted over the assets of such cover pool. In this case, holders of Pfandbriefe corresponding to such cover pool would have a preferential right over the assets of the respective cover pool. This right would also extend to interest in the Pfandbriefe accrued after the commencement of insolvency proceedings over the assets of the relevant cover pool. If and insofar as holders of Pfandbriefe suffer a loss following their recourse against the cover pool, they would have recourse to any assets of the Pfandbrief Bank not included in the cover pools. In this case, Pfandbrief holders would rank equal with other unsecured and unsubordinated creditors of the Pfandbrief Bank. According to the Pfandbrief Act and upon request of the BaFin, one or two administrators (*Sachwalter* – each an “Cover Pool Administrator”) will be appointed in the case of insolvency of the Pfandbrief Bank to administer each cover pool. The Cover Pool Administrators will act for the sole benefit of the holders of Pfandbriefe. Each Cover Pool Administrator will be appointed by the court having jurisdiction over the head office of the Pfandbrief Bank before or after the institution of insolvency proceedings. Each Cover Pool Administrator will be subject to the supervision of the court and of the BaFin with respect to the duties of the Pfandbrief Bank arising in connection with the administration of the assets included in the relevant cover pool. The Cover Pool Administrators will be entitled to dispose of the cover pool’s assets and receive all payments on the relevant assets to ensure full satisfaction of the claims of the holders of Pfandbriefe. To the extent, however, that those assets are obviously not necessary to satisfy such claims, the insolvency administrator of the Pfandbrief Bank is entitled to demand the transfer of such assets to the insolvent estate.

Subject to the consent of the BaFin, the Cover Pool Administrators may transfer all or part of the cover assets and the liabilities arising from the Pfandbriefe issued against such assets to another Pfandbrief Bank.

#### **The German Pfandbrief Market**

Since its launch in 1995, the Jumbo Pfandbrief has posted uninterrupted growth. Jumbo-Pfandbriefe are fixed-rate Pfandbriefe with a minimum principal amount of Euro 1 billion (or the equivalent thereof in another currency), supported by a commitment of at least three market-makers to quote continuous two-way prices during normal trading hours as long as there is sufficient liquidity in the particular Jumbo-Pfandbrief. At the end of October 2007, the outstanding volume in the Jumbo Pfandbrief sector amounted to EUR 315 billion on the German Pfandbrief market, Europe’s second biggest bond market. In recent years, Germany’s Pfandbrief Banks have been committed to broadening the international appeal of the Pfandbrief principally by enhancing liquidity in the instrument, which was the main driving force behind the launch of the Jumbo market in 1995. Size has clearly been one important barometer of liquidity in the sector, with the guidelines for Jumbo deals stipulating a minimum size of EUR 1 billion. Individual Pfandbrief issues of up to EUR 5 billion have been successfully placed with institutional investors attracted by the combination of liquidity, security and yield pick-up offered by Jumbo Pfandbriefe over government bonds. Aside from size, however, a range of other measures have contributed to the enhanced liquidity of the Pfandbriefe. First, in common with frequent issuers throughout the Euroland bond market, the Pfandbrief Banks have recognized that investors are increasingly ranking liquidity above other considerations.

### **Pfandbrief Coverage: Real Estate and Public Sector Financing in Germany**

As described above (see “Rules applicable to all types Pfandbriefe”) the outstanding Pfandbriefe of a Pfandbrief Bank are covered by assets within two cover pools, one cover pool covering all of the Pfandbrief Bank’s outstanding Public Pfandbriefe and a separate pool covering all of the Pfandbrief Bank’s outstanding Mortgage Pfandbriefe. The Pfandbrief Bank is required by German law to keep its Pfandbriefe fully secured and the two cover pools are continuously replenished by new loans.

#### *Mortgage Lending*

The principal type of cover for Mortgage Pfandbriefe is mortgages securing loans on German real estate. Subject to certain limitations, mortgages on real estate located in other member states of the European Union or other contracting states of the treaty on the European Economic Area or in Switzerland are also eligible as cover. Since 19 July 2005 mortgages on real estate located in the United States, Canada or Japan also qualify as cover for Mortgage Pfandbriefe.

#### *Public Sector Lending*

Under the Pfandbrief Act, the assets that qualify for cover of Public Pfandbriefe are loans to, and other similar obligations (such as debt securities) of, or guaranteed by (i) German regional and local authorities and such public-sector authorities and institutions for which state support (“*Anstaltslast*”) or a legally founded state guarantee obligation (“*Gewährträgerhaftung*”) or a state refinancing guarantee applies or which are legally entitled to raise fees, rates and other levies, (ii) any member state of the European Union or of the European Economic Area, Switzerland, the United States of America, Canada or Japan, (iii) certain regional governments and local authorities of the states covered under point (ii) above, (iv) another European state not included under point (ii) above which is a full member of the Organization for Economic Cooperation and Development (OECD), (v) certain non-profit administrative organisations which are subordinate to the central governments, regional governments or local authorities of the member states covered by point (ii) above, and/or (vi) certain banks.

In addition to such loans, certain claims arising from interest and currency swaps, as well as certain other derivatives transactions entered into on the basis of standardized master agreements may also be used as cover for Public Pfandbriefe, provided that the claims of the Pfandbrief Bank will not be adversely affected by an insolvency of the Pfandbrief Bank or the pool of cover assets.

The domestic market for public sector lending is highly competitive. Margins are very thin, reflecting the high credit quality of German public sector borrowers and the large number of banks competing for this segment of the market. In the public sector lending business within Germany, the Issuer competes mainly with German Pfandbrief Banks, savings banks and the Landesbanken, and, to a lesser extent, with private universal banks.

## **XI. SUBSCRIPTION AND SALE**

On 14 May 2008, ABN AMRO Bank N.V., Barclays Bank PLC, Bayerische Hypo- und Vereinsbank AG, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, Dresdner Bank Aktiengesellschaft, HSBC Bank plc, Hypo Real Estate Bank AG, Morgan Stanley & Co. International plc and Natixis, (the “Dealers”), on the one hand, and the Issuer, on the other hand, entered into an Amended and Restated Dealer Agreement (such Agreement as amended, supplemented or restated from time to time, the “Dealer Agreement”). The Issuer may pay the relevant Dealer(s) commissions from time to time in connection with the sale of any Notes and will reimburse the relevant Dealer(s) for certain expenses in connection with the issue of Notes under the Program, all as agreed between the Issuer and the relevant Dealer(s) with respect to such issue and sale of Notes. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Program.

An issuance of Notes by the Issuer is subject to the following selling restrictions. Depending on the Specified Currency of the Notes, other or additional selling restrictions may be applicable, as will be set forth in the applicable Final Terms and/or, in the case of Notes issued on a syndicated basis, the applicable subscription agreement (substantially in the form set forth in an Annex to the Dealer Agreement) (the “Subscription Agreement”) relating to such Notes.

### **1. United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed that it has not offered and sold the Notes of any Tranche, and will not offer and sell the Notes of any Tranche, (i) as part of their distribution at any time, (ii) otherwise until 40 days after the completion of the distribution of such Tranche, or (iii) in the event of a distribution of a Tranche that is fungible therewith, until 40 days after the completion of the distribution of such fungible Tranche within the United States or to, or for the account or benefit of U.S. persons. Accordingly, it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Dealer has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended, (the “Securities Act”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the offering of Notes of the same Tranche as the Notes of the same Tranche as the Notes covered hereby, or (iii) in the event of a distribution of a Tranche that is fungible with the Notes covered hereby, 40 days after the completion of the distribution of such fungible Tranche, except in each case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

In addition an offer or sale in the United States of the Notes of any Tranche or fungible Tranche by any dealer (whether or not participating in the offering made hereby) until 40 days after the commencement of the offering of such Tranche, or (if during such period there is an offering of Notes of a fungible Tranche) 40 days after the commencement of the offering of such fungible Tranche, may violate the registration requirements of the Securities Act.

Terms used above in this section have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes with a maturity at original issue of more than one year, will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the “D Rules”), or in accordance



with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(c) (the “C Rules”), as specified in the applicable Final Terms.

In addition, in respect of Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:

- (1) except to the extent permitted under the U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D), (a) it has not offered or sold, and during the restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;
- (2) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (3) if it is a United States person, that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and
- (4) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, each Dealer either (a) repeats and confirms the representations and agreements contained in clauses (1), (2) and (3) on such affiliate’s behalf (b) agrees that it will obtain from such affiliate for the Issuer’s benefit the representations and agreements contained in clauses (1), (2) and (3).

Terms used in the preceding four paragraphs have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules and, as used herein, for each Tranche the term “restricted period” shall include the restricted period of any Tranche that is fungible therewith.

In addition, each Dealer represents and agrees that it has not entered and will not enter into any contractual arrangement with any distributor (as that term is defined for purposes of Regulation S and the D Rules) with respect to the distribution of the Notes, except with its affiliates or with the prior written consent of the Issuer.

In addition, where the C Rules are specified in the relevant Final Terms as being applicable to any Tranche of Notes, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with the original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of Notes in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Each issuance of Index-Linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) may agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

The following legend will appear on all bearer Notes, coupons, talons or receipts: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in section 165(j) and 1287(a) of the U.S. Internal Revenue Code.”

**2. Public Offer Selling Restrictions under the Prospectus Directive** In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has

not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(1) if the Final Terms in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt offer, and notified to the competent authority in that Relevant Member State in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;

(2) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(3) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000 and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts;

(4) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(5) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (2) to (5) above shall require 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.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **3. Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws and regulations promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan. Pursuant to the Foreign Exchange and Foreign Trade Law of Japan, the Issuer is required to file a report in connection with the issuance or offering of Notes in Japan or the issuance or offering of Notes outside Japan denominated or payable in Japanese Yen with the Ministry of Finance of Japan (the “MOF”) within a limited period of time after the issue of the Notes. Each Dealer has agreed to provide any necessary information on sales of Notes in Japan to the Issuer (which shall not include the names of the purchasers thereof) so that the Issuer may make such reports to the MOF.

### **4. General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Debt Issuance Program Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer has represented and agreed that it will comply with all relevant laws and directives in each jurisdiction in which it pur-

chases, offers, sells, or delivers Notes or has in its possession or distributes the Debt Issuance Program Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, in all cases at its own expense, and neither the Issuers nor any other Dealer shall have responsibility for this.

These selling restrictions may be modified by the agreement of the Issuer and the Dealers, inter alia, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a Supplement to this Debt Issuance Program Prospectus.

## XII. TAXATION

The following is a general discussion of certain Luxembourg and German tax considerations that apply or might apply in connection with the purchase, holding or transfer of the 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. As the German and Luxembourg taxation of the Notes depends upon the Final Terms the following should only be regarded as a generic overview. This summary is based on the tax laws of Germany and Luxembourg currently in force and as applied on the date of this Debt Issuance Program Prospectus. These rules and regulations are subject to change, possibly with retroactive or retrospective effect and may adversely affect the tax consequences described herein.

**Prospective purchasers of Notes 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 Luxembourg and each country of which they are residents.**

### Germany

#### *Tax Residents*

Persons, resident in the Federal Republic of Germany are subject to income taxation (income tax or corporate income tax, as the case may be, and solidarity surcharge) on their worldwide income, regardless of its source, including interest from debentures in kinds, such as the Notes. Where the Notes form part of the property of a German trade or business interest income and capital gains will also be subject to trade tax.

If Notes are held in a custodial account which the holder of the Notes maintains with the Issuer or a German credit institution or a German financial services institution, each as defined in the German Banking Act (*Gesetz über das Kreditwesen*) (including a German branch of a foreign credit institution or of a foreign financial services institution, but excluding a foreign branch of a German credit institution or a German financial services institution) and the relevant custodian pays or credits interest payments under the Notes (a “German Paying Agent”) a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will generally be levied by the German Paying Agent in 2008, resulting in an aggregate withholding tax rate of 31.65% of the gross interest payment. Withholding tax on interest is also imposed on interest accrued up to the disposition of Notes and credited separately, if any (“Accrued Interest”).

If Notes qualify as financial innovations and are kept in a custodial account which the holder of such Notes holding the Notes as private assets maintains with a German Paying Agent, in 2008 such custodian will generally withhold tax at a rate of 30% (plus solidarity surcharge at a rate of 5.5% thereon) from the positive difference between the redemption amount or proceeds from the disposition or assignment of the Notes and the issue or purchase price of the Notes (market yield; *Marktrendite*) if the Notes have been kept in a custodial account with such German Paying Agent since the time of issuance or acquisition, respectively, unless a pro-rata yield to maturity (*Emissionsrendite*) can be established, in which case only the part of the capital gain attributable to such yield to maturity during the period the investor held the Notes would be the tax base for withholding tax purposes. If the Notes have not been kept from the time of their acquisition in a custodial account with the same German Paying Agent, e.g. because of a book entry transfer, withholding tax at a rate of 30% (plus solidarity surcharge at a rate of 5.5% thereon) is applied to an amount equal to 30% of the amounts paid in partial or final redemption or the proceeds from the disposition or assignment of the Notes, respectively.

In computing the tax to be withheld the German Paying Agent may deduct from the basis of the withholding tax any Accrued Interest previously paid during the same calendar year by the holder of Notes, unless the relevant transaction qualifies as an over-the-counter-transaction (*Tafelgeschäft*) under German tax law, where interest is paid by a German Paying Agent or the Issuer to a person other than a non-German credit institution or non-German financial services institution against the handing-over of physical interest coupons or partial debentures (“OTC-Transaction”).

In general, no withholding tax will be levied if the holder of Notes is an individual (i) whose Notes do not form part of the property of a German trade or business nor gives rise to income from the letting and leas-

ing of property; and (ii) who filed a certificate of exemption (Freistellungsauftrag) with the German Paying Agent but only to the extent the interest income derived from the Notes together with other investment income does not exceed the maximum exemption amount shown on the certificate of exemption. Similarly, no withholding tax will be deducted if the holder of Notes has submitted to the German Paying 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 German Paying Agent, withholding tax on interest will apply at a rate of 35% (plus solidarity surcharge at a rate of 5.5% thereon resulting in an aggregate withholding tax rate of 36.925%) of the gross amount of interest paid by a German Paying Agent in case of an OTC-Transaction. Withholding tax on interest and the solidarity surcharge thereon are credited as prepayments against the German income or corporate income tax and the solidarity surcharge liability of a German tax resident person. Amounts over withheld will entitle the German tax resident holder of Notes to a refund, based on an assessment to tax.

#### *Non-residents*

Non-residents of Germany are, in general, exempt from German income taxation, unless the respective payments qualify as taxable income from German sources within the meaning of section 49 of the German Income Tax Act, e.g. if the Notes are held in a German permanent establishment or through a German permanent representative or payments are paid within the scope of an OTC-Transaction. In such cases (other than a OTC-Transaction, please see below) interest payments or a capital gain are subject to German taxation and the payments are subject to German withholding tax, if the Notes are held in a custodial account with a German Paying Agent. In case of an OTC-Transaction as defined above the payments are always subject to withholding tax of 35% plus solidarity surcharge of 5.5% thereon.

Under certain circumstances non-residents may benefit from tax reductions or tax exemptions under double tax treaties if any, entered into with Germany.

#### *Changes by the Business Tax Reform Act 2008*

As from 1 January 2009 income deriving from capital investments (e.g. interest income under the Notes and also capital gains) will be subject to a final flat tax of 25% plus a solidarity surcharge thereon, which is currently levied at 5.5%, resulting in an aggregate tax burden of 26.375%), if the German holder is an individual and does not hold the Notes as a business asset for tax purposes. If the holder of the Notes holds the Notes with a German Paying Agent (as from 2009 such term will also comprise domestic securities trading enterprises (Wertpapierhandelsunternehmen) and domestic securities trading banks (Wertpapierhandelsbank)), then such flat tax will be directly withheld by such German Paying Agent.

An individual German holder may in addition be subject to church tax. Apart from an annual lump-sum deduction (Sparer-Pauschbetrag) for investment type income of € 801 (€ 1,602 for married couples filing jointly) investors holding the Notes as private assets will not be entitled to deduct expenses incurred in connection with the investment in the Notes from their income. In addition, such holders could not offset losses from the investment in the Notes against other type of income (e.g., employment income).

As from which point in time the new tax rules as introduced by the Business Tax Reform Act 2008 are applicable with regard to payments or income in relation to a particular Note depends upon the individual Final Terms of the Note. With regard to certain types of income it is decisive in this respect, whether the particular income is received before or after 1 January 2009. However, with regard to some types of financial instruments, it is relevant whether such financial instruments have been acquired before or after 1 January 2009. Therefore, a general information can not be given in this respect without taking into account the Final Terms of the respective Notes.

## **Luxembourg**

The following is a summary of certain material Luxembourg tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit the Notes. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it construed to be, legal or tax advice. Prospective purchasers of the Notes should consult their own tax advisers as to the applicable tax consequences of the ownership of the Notes, based on their particular circumstances. This summary does not allow any conclusions to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of this Debt Issuance Program Prospectus and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.

### *Non-Residents*

Under Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the “**Laws**”) implementing the European Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”) and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of Notes. Further, there is no Luxembourg withholding tax, subject to the application of the Laws, upon redemption or exchange of the Notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required from 1 July 2005 to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or, under certain circumstances, to the benefit of) an individual or a residual entity (“**Residual Entity**”) in the sense of article 4.2. of the EU Savings Directive (*i.e.* an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognized in accordance with Council Directive 85/611/EEC) that is resident or established in another Member State of the European Union, unless the beneficiary of the payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat and the Netherlands Antilles.

The withholding tax rate is initially 15%, increasing steadily to 20% and to 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain specified other countries.

In all cases described above, responsibility for the payment of withholding tax is to be assumed by the Luxembourg paying agent.

Payments of interest or similar income under the Notes to the clearing systems and payments by or on behalf of Clearstream Banking, Société Anonyme, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

### *Residents*

Under the Luxembourg law dated 23 December 2005, interest on Notes paid since 1 January 2006 (but accrued since 1 July 2005) by a Luxembourg paying agent to an individual holder of Notes who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. This withholding tax also applies on accrued interest received upon sale, redemption or repurchase of the Notes. Such withholding tax will operate a full discharge of income tax due on such payments if the individual holder of Notes acts in the course of the management of his/her private wealth.

Subject to the approval by the Luxembourg parliament of the bill of law n°5780, beneficial owners of interest payments made as from 1 January 2008 by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a State having concluded a

treaty with Luxembourg regarding the Savings Directive may opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10% final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

Interest on Notes paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

### **EU Directive on the Taxation of Savings Income**

On 3 June 2003, the EU adopted the Council Directive 2003/48/EC (the “Directive”) on taxation of savings income in the form of interest payments under which, subject to a number of important conditions, Member States are required 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. For a transitional period Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of the transitional period being related to the conclusion of certain other agreements relating to information exchange with certain other countries). Please see “Taxation in the Grand-Duchy of Luxembourg” for details about the Luxembourg withholding tax system.

Five European third countries (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) as well as ten Member States’ dependant or associated territories (Guernsey, Jersey, Isle of Man, Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands, Aruba and Netherland Antilles) will apply measures equivalent to those contained in the Directive, in accordance with agreements entered into by them with the European Community. Consequently, Member States will apply an automatic exchange of information or, during the transitional period, deduct withholding tax in relation to persons resident in the European third countries or the territories in the described manner.

The provisions of the Directive and the agreements with the European third countries and territories are applicable since 1 July 2005.

### **XIII. AVAILABILITY OF DOCUMENTS**

Copies of the Issuer's articles of association, the annual reports of the Issuer for the fiscal years ended 31 December 2006 and 31 December 2007, and for any fiscal year, the most recently published annual report of the Issuer, the Dealer Agreement, all Subscription Agreements, the forms of the Global Notes and the Definitive Notes, the Final Terms and the Agency Agreement will be available during usual business hours on any weekday (except Saturdays and public holidays) at the offices of Fortis Banque Luxembourg S.A., in its capacity as listing agent for the Notes. All documents incorporated by reference herein will be available for collection in the English language, free of charge, at the specified offices of the Paying Agents.



#### **XIV. INCORPORATION BY REFERENCE**

The following documents (the “Documents”) shall be deemed to be incorporated in, and to form part of, this Debt Issuance Program Prospectus:

<b>Document</b>	<b>Page Reference</b>
Hypo Real Estate Bank AG Annual Report 2006 containing the financial statements of the Issuer at 31 December 2006 (page references refer to the English version with the exception of the auditor’s report)	
Income Statement	28 through 29
Balance Sheet	30 through 33
Accounting Policies and Explanatory Notes	34 through 50
Auditor’s Report	55 <sup>*)</sup>

<sup>\*)</sup> Referring to the German version of the Annual Report.

This Document is available on the website of the Hypo Real Estate Group ([www.hyporealestate.com](http://www.hyporealestate.com)).

Hypo Real Estate Bank AG Annual Report 2007 containing the financial statements of the Issuer at 31 December 2007 (page references refer to the English version with the exception of the auditor’s report)

Risk Report	13 through 31
Income Statement	36 through 37
Balance Sheet	38 through 41
Accounting Policies and Explanatory Notes	42 through 58
Auditor’s Report	64

This Document is available on the website of the Hypo Real Estate Group ([www.hyporealestate.com](http://www.hyporealestate.com)).

Hypo Real Estate Group Annual Report 2006 at 31 December 2006 (page references refer to the English version)

Selected Financial Information	2
Income Statement	84
Balance Sheet	85
Cash Flow Statement	87
Accounting and Valuation Principles, Explanatory Notes	88 through 138
Auditor’s Report	139

As Hypo Real Estate Holding is listed in the Prime Standard of the Frankfurt Stock Exchange, this Document has been filed with the Frankfurt Stock Exchange and is published on the website of Hypo Real Estate Group ([www.hyporealestate.com](http://www.hyporealestate.com)).

Hypo Real Estate Group Annual Report 2007 at 31 December 2007 (page references refer to the English version)

Selected Financial Information	2
Report of the Supervisory Board (including members of auditing committee)	18 through 25
Corporate Governance Report	26 through 27
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Risk Report	71 through 88
Income Statement	98
Balance Sheet	99
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Auditor's Report	167

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Hypo Real Estate Group Interim Report March 2008  
as of 31 March 2008 (page references refer to the English version)

Income Statement	34
Balance Sheet	35
Statement of Changes in Equity	36
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Notes	37 through 53
Review Report	54

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Copies of any or all of the Documents which are incorporated herein by reference will be available free of charge from the specified offices of the Paying Agents set out at the end of this Debt Issuance Program Prospectus and are also available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

All information included in the Documents incorporated by reference but not mentioned in the cross-reference list above is given for information purposes only.

## **ISSUER**

### **Hypo Real Estate Bank AG**

Von-der-Tann-Strasse 2  
80539 Munich

## **ARRANGER**

### **Bayerische Hypo- und Vereinsbank AG**

Arabellastrasse 12  
81925 Munich

## **DEALERS**

### **ABN AMRO Bank N.V.,**

acting through its London branch  
250 Bishopsgate  
London EC2M 4AA

### **Bayerische Hypo- und Vereinsbank AG**

Arabellastrasse 12  
81925 München

### **Deutsche Bank Aktiengesellschaft**

Grosse Gallusstrasse 10-14  
60272 Frankfurt/Main

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ

### **Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB

### **Commerzbank Aktiengesellschaft**

Debt Capital Markets  
DLZ Gebäude 2  
Mainzer Landstrasse 153  
60327 Frankfurt/Main

### **Dresdner Bank Aktiengesellschaft**

Jürgen-Ponto-Platz 1  
60301 Frankfurt/Main

### **Hypo Real Estate Bank AG**

Von-der-Tann-Strasse 2  
80539 München

### **Natixis**

30 avenue Pierre Mendès France  
75013 Paris

## **AGENTS**

### **Issuing and Principal Paying Agents**

#### **Citibank, N.A.**

London Office  
5 Carmelite Street  
London EC4Y 0PA

#### **Registrar**

#### **Citibank, N.A.**

London Office  
5 Carmelite Street  
London EC4Y 0PA  
*(For Registered Notes)*

**Luxembourg Listing Agent and Paying Agent**

**Fortis Banque Luxembourg S.A.**

50, avenue J.F. Kennedy  
L-2951 Luxembourg

**LEGAL ADVISERS**

*To the Issuer*

**Head of the Legal Department of  
Hypo Real Estate Bank AG**  
Von-der-Tann-Strasse 2  
80539 Munich

*To the Dealers*

**Simmons & Simmons**  
MesseTurm  
Friedrich-Ebert-Anlage 49  
60308 Frankfurt am Main

**AUDITORS**

*To the Issuer*

**KPMG**  
**Deutsche Treuhand-Gesellschaft Aktiengesellschaft,  
Wirtschaftsprüfungsgesellschaft**  
Ganghoferstraße 29  
80339 München