



## BayernLB Capital Trust I

Wilmington, Delaware, United States of America  
(a subsidiary of Bayerische Landesbank, Munich, Federal Republic of Germany)

**U.S.\$ 850,000,000 Noncumulative Trust Preferred Securities**  
(Liquidation Preference Amount of U.S.\$ 1,000 per Trust Preferred Security)

**Issue Price: 100% (equivalent to U.S.\$ 1,000 per Trust Preferred Security).**

The noncumulative trust preferred securities (the "**Trust Preferred Securities**"), liquidation preference amount U.S.\$ 1,000 per security (the "**Liquidation Preference Amount**"), offered hereby represent preferred undivided beneficial ownership interests in the assets of BayernLB Capital Trust I, a statutory trust created under the laws of the State of Delaware, United States of America (the "**Trust**"). One common security of the Trust will be owned by Bayerische Landesbank, a public law financial institution (*Rechtsfähige Anstalt des öffentlichen Rechts*) under the laws of Germany (the "**Bank**" and, together with its consolidated subsidiaries, the "**BayernLB Group**") or a wholly-owned subsidiary of the Bank. The assets of the Trust will consist solely of noncumulative Class B Preferred Securities (the "**Class B Preferred Securities**") issued by BayernLB Capital LLC I (the "**Company**"), a Delaware limited liability company that has the benefit of a subordinated support undertaking issued by the Bank. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities. The Company will invest the proceeds from the sale of the Class B Preferred Securities in subordinated debt securities issued by the Bank.

The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof. The Trust and the Company may redeem the Trust Preferred Securities and the Class B Preferred Securities, as the case may be, in whole, but not in part, on the Initial Redemption Date (as defined herein) scheduled to occur on May 31, 2017 (or any Capital Payment Date (as defined herein) thereafter), or at any time upon the occurrence of certain tax and capital disqualification events as more fully described herein. Noncumulative Capital Payments (as defined herein) will accrue on the Liquidation Preference Amount (i) from and including March 9, 2007 (the "**Issue Date**") to but excluding May 31, 2017 (the "**Reset Date**"), at a fixed rate of 6.2032% per annum, payable annually in arrears on May 31 of each year (including on the Reset Date), for the first time on May 31, 2007, and (ii) for each Capital Payment Period (as defined herein) commencing on or after the Reset Date, at 3 month LIBOR (as defined herein) for such Capital Payment Period plus 1.98% per annum, payable quarterly in arrears on February 28 (but in a leap year on February 29), May 31, August 31 and November 30 of each year. Capital Payments are subject to certain conditions, including that the Bank has an amount of Distributable Profits (as defined herein) for the preceding fiscal year at least equal to the Capital Payments. See "Prospectus Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Capital Payments."

The Trust Preferred Securities are expected, on issue, to be assigned a rating of "(P) A1" by Moody's Investors Service, Inc. ("**Moody's**"). The rating for the Trust Preferred Securities is derived from the ratings of the Bank. A rating is not a recommendation to buy, hold or sell securities, and may be subject to revision, suspension or withdrawal at any time by the rating agency.

Application has been made in order for the Trust Preferred Securities 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 an EU-regulated market within the meaning of Directive 2004/39/EC (the "**Luxembourg Stock Exchange**").

The Trust has requested the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (the "**CSSF**"), in its capacity as competent authority for the purpose of Directive n°2003/71/EC (the "**Prospectus Directive**") and the Luxembourg law on prospectuses for securities of July 10, 2005, to provide the competent authority in Germany, the United Kingdom, Ireland, Austria and the Netherlands with a certificate of approval attesting that the Prospectus has been drawn up in accordance with Luxembourg law on prospectuses for securities of July 10, 2005, which implements the Prospectus Directive into Luxembourg law.

**THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S").**

**An investment in the Trust Preferred Securities involves certain risks. See "Risk Factors" beginning on page 49 for a discussion of certain factors that should be considered by prospective investors.**

Joint Lead Managers and Joint Bookrunners

**Deutsche Bank**  
Sole Structuring Advisor

**Merrill Lynch International**

Joint Lead Manager

**BayernLB**

Co-Managers

**ABN AMRO**  
**Goldman Sachs International**  
**Lehman Brothers**

**Citigroup**  
**JPMorgan**  
**UBS Investment Bank**

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The date of this Prospectus is March 7, 2007.

This Prospectus will be published in electronic form on the website  
of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## RESPONSIBILITY STATEMENT

The Bank with its registered office in Munich assumes responsibility for the information contained in this prospectus (the "**Prospectus**"). To the best of the knowledge and belief of the Bank the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Each of the Company and the Trust with its respective registered office in Wilmington, Delaware accepts responsibility for the information contained in this Prospectus about itself and the description of the Company Securities and the Trust Preferred Securities respectively and to the best of their knowledge and belief, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. Neither the Company nor the Trust accepts responsibility for any other information contained in this Prospectus.

## NOTICE

Each of the Bank, the Company and the Trust further confirms (the Company and the Trust only in respect of itself and the Company Securities (as defined herein) and the Trust Preferred Securities, respectively) that (i) this Prospectus contains all information with respect to the Bank, the Company and the Trust, the Trust Preferred Securities, the Class B Preferred Securities and the Debt Securities (as defined herein) that is material in the context of the listing, issue and offering of the Trust Preferred Securities, including all information which, according to the particular nature of the Bank, the Company and the Trust and of the Trust Preferred Securities, the Class B Preferred Securities and the Debt Securities is necessary to enable investors and their investment advisors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Bank, the Company and the Trust and of the rights attached to the Trust Preferred Securities, the Class B Preferred Securities and the Debt Securities; (ii) the statements contained in this Prospectus relating to the Bank, the Company and the Trust are in every material respect true and accurate and not misleading; (iii) there are no other facts the omission of which would in the context of the issue and offering of the Trust Preferred Securities make any statement in this Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Bank, the Company and the Trust to ascertain such facts and to verify the accuracy of all such information and statements.

No person has been authorized to provide any information or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorized by the Bank, the Trust or the Company or by the Managers (as defined herein). The delivery of this Prospectus at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

This Prospectus comprises a prospectus for the purposes of (i) Article 5.3 of the Prospectus Directive and (ii) the relevant implementing measures in the Grand Duchy of Luxembourg and, in each case, for the purpose of giving information with regard to the Bank, the Company and the Trust.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). The Trust Preferred Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Trust Preferred Securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

To the extent that the offer of the Trust Preferred Securities is made in any contracting state of the agreement on the European Economic Area (a "**Contracting State**") that has implemented the Prospectus Directive (together with any applicable implementing measures in any Contracting State) before the date of publication of a prospectus in relation to the Trust Preferred Securities which has been approved by the competent authority in that Contracting State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and noti-

fied to the competent authority in that Contracting State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Contracting State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require the Issuer to publish a prospectus pursuant to the Prospectus Directive.

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Bank, the Trust, the Company or the Managers or any affiliate of any of them to subscribe for or purchase, any Trust Preferred Securities in any jurisdiction by any person to whom it is unlawful to make such an offer, invitation or solicitation in such jurisdiction. The distribution of this Prospectus and the offering or sale of the Trust Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Bank, the Trust, the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Trust Preferred Securities and distribution of this Prospectus, see "Subscription and Sale" below.

## **STABILIZATION**

**IN CONNECTION WITH THE ISSUE OF THE TRUST PREFERRED SECURITIES, DEUTSCHE BANK AG, LONDON BRANCH ("DEUTSCHE BANK") AS STABILIZING MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) MAY OVER-ALLOT THE TRUST PREFERRED SECURITIES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF THE SECURITIES ALLOTTED DOES NOT EXCEED 105% OF THE AGGREGATE LIQUIDATION PREFERENCE AMOUNT OF THE TRUST PREFERRED SECURITIES (OR SUCH OTHER PERCENTAGE AS MAY BE APPLICABLE TO ANY SUCH ACTIONS) IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT DEUTSCHE BANK AS STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE TRUST PREFERRED SECURITIES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE TRUST OR 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE TRUST PREFERRED SECURITIES OR, AS THE CASE MAY BE, SUCH OTHER DATE(S) AS MAY BE APPLICABLE TO ANY SUCH ACTION IN THE JURISDICTION WHERE SUCH ACTIONS ARE TO BE EFFECTED. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL LAWS, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.**

## FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements relating to the business, financial performance and results of operations of the Bank and to the business segments in which the Bank operates. Forward-looking statements concern future circumstances and results and other circumstances that are not historical facts, and may be identified by words such as “believes,” “expects,” “predicts,” “intends,” “projects,” “plans,” “estimates,” “aims,” “foresees,” “anticipates,” “targets,” and similar expressions. Such statements only reflect the current views of the Bank with respect to future events and are subject to risks and uncertainties.

These forward-looking statements involve risks, uncertainties and other factors that may cause the actual future results, performance and achievements to be materially different from those suggested or described in this Prospectus. Many of the factors that will determine these results, performance and achievements are beyond BayernLB's control. Such factors include, among others, uncertainties in respect of the overall economic development, loan defaults, court proceedings or other proceedings, maintenance of appropriate refinancing conditions and generally the economic and business framework of the markets relevant for BayernLB's business.

The risks described above and in the section entitled “Risk Factors” are not comprehensive. New risks, uncertainties and other factors may emerge from time to time and it is not possible for BayernLB to predict all such risk factors, to assess the impact of all such risk factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, the investor should not place undue reliance on forward-looking statements as a prediction or guarantee of actual results or events.

## EXCHANGE RATE INFORMATION

The Bank and the BayernLB Group prepare their financial statements in euros and the Trust Preferred Securities are denominated in U.S. dollars. The following table sets forth, for the period from January 1, 2001 through March 2, 2007, the yearly low, high, average and period-end noon buying rates in the City of New York for cable transfers of euros as certified for customs purposes by the Federal Reserve Bank of New York:

Year	U. S. Dollars per € 1.00			
	Low	High	Average	Period-End
2001 .....	0.8370	0.9535	0.8909 <sup>(1)</sup>	0.8901
2002 .....	0.8594	1.0485	0.9495 <sup>(1)</sup>	1.0485
2003 .....	1.0361	1.2597	1.1411 <sup>(1)</sup>	1.2597
2004 .....	1.1975	1.3538	1.2478 <sup>(1)</sup>	1.3538
2005 .....	1.1667	1.3476	1.2400 <sup>(1)</sup>	1.1842
2006 .....	1.1860	1.3327	1.2661 <sup>(1)</sup>	1.3197
2007 (through March 2, 2007) .....	1.2904	1.3286	1.3041 <sup>(2)</sup>	1.3182

Source: Federal Reserve Bank of New York

<sup>(1)</sup> The average of the noon buying rates on the last business day of each month during the relevant period.

<sup>(2)</sup> The average of the noon buying rates on each business day during the relevant period.

The above rates may differ from the actual rates used in the preparation of the Bank's consolidated financial statements and other financial information appearing in this Prospectus. The inclusion of these exchanges rates is not meant to suggest that the euro amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

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## PROSPECTUS SUMMARY

*The following summary should be read as an introduction to the Prospectus. It contains a transaction overview, a summary of the terms of the Trust Preferred Securities and the Class B Preferred Securities, as well as information relating to BayernLB Group and this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Class B Preferred Securities, the Initial Debt Securities and the Support Undertaking, see "Description of the Trust Securities," "Description of the Company Securities," "Description of the Support Undertaking" and "Description of the Initial Debt Securities," as well as "Distributable Profits of the Bank." For a description of the Trust, the Company and the Bank see "BayernLB Capital Trust I," "BayernLB Capital LLC I" and "BayernLB Group." Capitalized terms used in this Prospectus have the meanings as set forth under "Definitions." Except where specified otherwise, financial data of BayernLB Group presented herein or incorporated by reference is in accordance with the German Commercial Code ("**HGB**").*

*The following summary is qualified in its entirety by the detailed information and financial data presented elsewhere in this Prospectus or incorporated by reference and any decision to invest in the Trust Preferred Securities should be based on consideration of the Prospectus as a whole, including the documents incorporated by reference. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the place of jurisdiction, have to bear the costs of translating the Prospectus, including the documents incorporated by reference, before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the 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 the Prospectus.*

### Transaction Overview

BayernLB Capital Trust I (the "**Trust**") exists for the sole purposes of (i) issuing the noncumulative Trust Preferred Securities and one noncumulative Trust Common Security, (ii) investing the gross proceeds thereof in the noncumulative Class B Preferred Securities issued by BayernLB Capital LLC I (the "**Company**"), and (iii) engaging in activities necessary or incidental thereto. The Trust Securities will represent all of the ownership interests in the Trust. The Trust Common Security will be owned by a BayernLB Group Company.

In addition to the Class B Preferred Securities to be acquired by the Trust, the Company will also issue the Company Common Security and the Class A Preferred Security (the "**Company Securities**"). The Company Securities will represent all of the ownership interests in the Company. The Company Common Security and the Class A Preferred Security will be owned by the Bank or by a BayernLB Group Company.

The Company will use the gross proceeds from the issuance of the Company Securities to acquire the Initial Debt Securities. The Initial Debt Securities will be issued by the Bank, will have a Principal Amount of U.S.\$ 850,027,000 and will have a Maturity Date of May 31, 2037. They will also be subordinated to the claims of other creditors of the Bank pursuant to their terms. The income received by the Company from the Initial Debt Securities and any Substitute Debt Securities will be available for distribution, as appropriate, to the holders of the Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

In accordance with the Trust Agreement (as to be amended prior to the issuance of the Trust Securities) among, *inter alia*, the Trustees, the Bank and the Company, the Trust will pass through to the holders of the Trust Preferred Securities any periodic distributions declared (or deemed declared) and paid by the Company in accordance with the LLC Agreement (as to be amended prior to the issuance of the Company Securities) between the Bank and the Trust and received by the Trust on the Class B Preferred Securities. These Capital Payments on the Trust Preferred Securities will be limited to the amount of the Capital Payments on the Class B Preferred Securities.

Pursuant to the LLC Agreement, Capital Payments on the Class B Preferred Securities shall, for any given Capital Payment Period, be paid out of the excess of (i) the amounts paid on the Initial Debt



Securities and the Substitute Debt Securities by the issuer thereof, or, after the Maturity Date, on Permitted Investments that the Company may then hold or, if applicable, under the Support Undertaking over (ii) any operating expenses of the Company not paid or reimbursed by the Bank during such Capital Payment Period.

Subject to the provisions of the LLC Agreement and the Trust Agreement, Capital Payments on the Class B Preferred Securities and the Trust Preferred Securities will accrue on the respective liquidation preference amount of U.S.\$ 1,000 thereof (i) from (and including) the Issue Date to (but excluding) the Reset Date at May 31, 2017 and be payable annually in arrears on May 31 in each year (including on the Reset Date), for the first time on May 31, 2007, and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Floating Rate and be payable quarterly in arrears on February 28 (but in a leap year on February 29), May 31, August 31 and November 30 of each year, commencing on May 31, 2017.

For each Capital Payment Period ending prior to the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Capital Payment Period. For each Capital Payment Period beginning on or after the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed in a 360-day year.

**If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to make a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid in respect of any future Capital Payment Period. In such a case, investors will not receive any corresponding Capital Payments on the Trust Preferred Securities in relation to such Capital Payment Period.**

For a summary of the terms of the Trust Preferred Securities and the Class B Preferred Securities, see "Description of the Trust Securities" and "Description of the Company Securities – Class B Preferred Securities."

The Bank and the Company will enter into the Support Undertaking for the benefit of the holders of the Class B Preferred Securities upon the terms set forth in Appendix A hereto. Pursuant to the Support Undertaking, the Bank undertakes to ensure, among other things, that (i) the Company shall at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities (plus Additional Amounts thereon, if any), any payments due on redemption of the Class B Preferred Securities, and (ii) in liquidation or dissolution of the Company, the Company will have sufficient funds to pay the aggregate liquidation preference amount of the Class B Preferred Securities, including accrued and unpaid Capital Payments on the Class B Preferred Securities for the then current Capital Payment Period to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any.

**The Support Undertaking does not constitute a guarantee or an undertaking of any kind that the Company will at any time have sufficient assets to declare a Capital Payment on the Class B Preferred Securities or another distribution. The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank at least *pari passu* with each class of the most senior ranking preference shares, if any, that rank senior to the endowment capital (*Grundkapital*) of the Bank as to liquidation rights and with other instruments of the Bank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and the interests in the endowment capital (*Grundkapital*) of the Bank.**

The holders of Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. For a summary of the terms of the Support Undertaking, see "Description of the Support Undertaking."

**The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.**

On or after the Initial Redemption Date, the Class B Preferred Securities will be redeemable at the option of the Company, in whole (but not in part), on any Capital Payment Date at a redemption price per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to but excluding the Redemption Date (the "Redemption Price"), plus Additional Amounts, if any. The Class B Preferred Securities may also be redeemed by the Company at any time, in whole (but not in part), upon the occurrence of a Company Special Redemption Event (x) at the Redemption Price, in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, the Early Redemption Price, plus, in each case, Additional Amounts, if any.

Subject to the provisions of the Trust Agreement, upon redemption of the Class B Preferred Securities, the Trust must apply the redemption price received in connection therewith to redeem the Trust Securities.

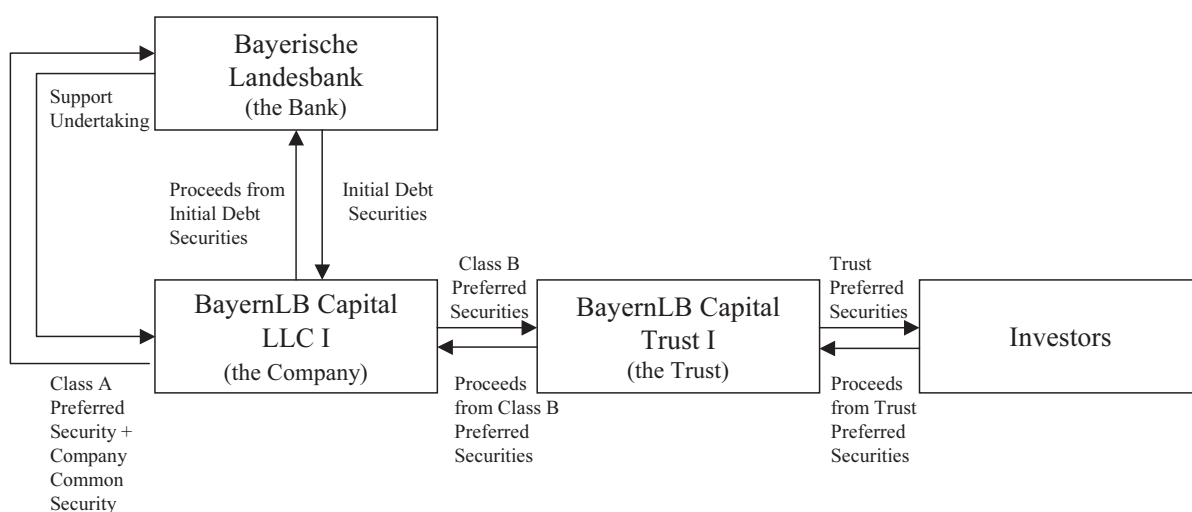
Upon the occurrence of a Trust Special Redemption Event or in the event of any dissolution, liquidation, winding up or termination of the Trust, holders of the Trust Preferred Securities will be entitled to receive a corresponding number of the Class B Preferred Securities. See "Description of the Trust Securities – Redemption."

**Since the sole assets of the Trust consist of the Class B Preferred Securities and because the holders of the Trust Preferred Securities may receive the Class B Preferred Securities in certain circumstances, prospective purchasers of the Trust Preferred Securities are also making an investment decision with respect to the Class B Preferred Securities and, accordingly, should carefully review all of the information regarding the Class B Preferred Securities. See "Description of the Company Securities – Class B Preferred Securities" and "Risk Factors – Special Redemption Risk."**

Concurrently with the purchase of the Trust Preferred Securities by the Managers as described under "Subscription and Sale," the Company, the Trust and the Bank will engage in the following transactions: (i) the Company will issue to the Bank the Company Common Security; (ii) the Company will issue to the Bank the Class A Preferred Security; (iii) the Trust will issue to the Bank the Trust Common Security; (iv) the Trust will issue the Trust Preferred Securities, which will be registered in the name of the Common Depositary, to the Managers, who will sell the Trust Preferred Securities to investors; (v) the Company will issue to the Trust the Class B Preferred Securities and (vi) the Company will acquire from the Bank the Initial Debt Securities.

The Bank, as the holder of the Company Common Security, will elect the Board of Directors, which initially will consist of four directors.

The following diagram outlines the key relationships among the Company, the Trust and the Bank upon completion of the Offering.



## The Offering

**The Trust** BayernLB Capital Trust I is a Delaware statutory trust formed for the purpose of holding the Class B Preferred Securities, the Capital Payments and redemption payments which will be passed through to holders of the Trust Securities.

**The Company** BayernLB Capital LLC I, a Delaware limited liability company, is a wholly-owned subsidiary of the Bank. The sole assets of the Company will be the Debt Securities and Permitted Investments.

**The Bank** Bayerische Landesbank, a German public law institution (*Anstalt des öffentlichen Rechts*), authorized to provide universal financial services.

**Trust Securities** The Trust Common Security together with the Trust Preferred Securities. The Trust Common Security means one common security of the Trust and the Trust Preferred Securities means U.S.\$ 850,000,000 registered noncumulative Trust Preferred Securities offered in the Offering as described below.

**Company Securities** The Company Common Security and the Company Preferred Securities, *i.e.* the Class A Preferred Security and the Class B Preferred Securities

**Subject Matter of the Offering** U.S.\$ 850,000,000 registered noncumulative Trust Preferred Securities with a Liquidation Preference Amount of U.S.\$ 1,000 per Trust Preferred Security, where the minimum Liquidation Preference Amount that can be purchased by any holder in the primary placement is U.S.\$ 75,000. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities. The offering consists of an international offer in the form of private placements outside the United States in reliance on Regulation S. See "Subscription and Sale."

**Issue Price** 100% (equivalent to U.S.\$ 1,000 per Trust Preferred Security).

**Use of Proceeds** The gross proceeds from the sale of the Trust Securities will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by the Bank in return for the Class A Preferred Security and in return for the Company Common Security, to make an investment in the Initial Debt Securities. The Bank intends to treat the Class B Preferred Securities as consolidated Tier

I regulatory capital. The Bank intends to use the proceeds from the sale of the Initial Debt Securities for general corporate purposes.

**The Bank's Support Undertaking**

The Bank will execute a Support Undertaking with the Company for the benefit of the Company and the holders of the Class B Preferred Securities under which it will agree that:

- (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities, plus Additional Amounts thereon, if any, and any payment due on redemption of the Class B Preferred Securities, and
- (ii) in liquidation or dissolution, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any.

**The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.**

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank at least *pari passu* with the most senior ranking preference shares, if any, that rank senior to interests in the endowment capital (*Grundkapital*) of the Bank as to liquidation rights and with other instruments of the Bank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and the interests in the endowment capital (*Grundkapital*) of the Bank. The holders of the Class B Preferred Securities will be third party beneficiaries of the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under the Support Undertaking without prejudice to the rights of the holders of the Class B Preferred Securities thereunder.

The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

**Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities**

**Form and Denomination**

The Trust Preferred Securities will be issued in registered book-entry form only, in denominations of U.S.\$ 1,000 Liquidation Preference Amount and will be evidenced by one or more global certificates deposited with the Common Depository (except for special circumstances, in which definitive securities will be issued; see "Description of the Trust Securities – Definitive Certificates and the Exchange of Book-Entry Securities for Definitive Certificates").

**Maturity**

The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the

holders thereof. The Company may, under certain circumstances, redeem the Class B Preferred Securities in whole, but not in part. See “Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities.”

**Capital Payments**

Subject to the terms of the Trust Agreement and LLC Agreement, as applicable, Capital Payments will accrue on the respective liquidation preference amounts of U.S.\$ 1,000 per Trust Preferred Security (the “**Liquidation Preference Amount**”) and U.S.\$ 1,000 per Class B Preferred Security (i) from and including the Issue Date to but excluding the Reset Date, at a fixed rate of 6.2032% per annum (the “**Fixed Rate**”), payable annually in arrears on May 31 of each year (including on the Reset Date), for the first time on May 31, 2007, and (ii) for each Capital Payment Period commencing on or after the Reset Date, at 3-month LIBOR plus 1.98% per annum (the “**Floating Rate**”), payable quarterly in arrears on each February 28 (but in a leap year on February 29), May 31, August 31 and November 30. For each Capital Payment Period ending prior to the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Capital Payment Period. For each Capital Payment Period beginning on or after the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed in a 360-day year.

**Declaration of Capital Payments**

Capital Payments on the Class B Preferred Securities are expected to be paid out of payments with respect to interest received by the Company on the Debt Securities or Permitted Investments held by the Company from time to time.

**If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period.**

Capital Payments on the Class B Preferred Securities are authorized to be declared and paid on any Capital Payment Date to the extent that:

- (i) the Company has an amount of Operating Profits for the Capital Payment Period ending on the day immediately preceding such Capital Payment Date at least equal to the amount of such Capital Payments, and
- (ii) the Bank has Distributable Profits for the preceding fiscal year for which audited unconsolidated financial statements are available in an amount at least equal to (x) the aggregate amount of such Capital Payments and (y) to the extent not yet reflected in the calculation of Distributable Profits for the preceding fiscal year, all capital payments, dividends or other distributions on Parity Securities, if any, pro rata on the basis of Distributable Profits for such preceding fiscal year.

In determining the availability of sufficient Distributable Profits of the Bank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments, dividends or other distributions already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits (to the extent not yet reflected in the calculation of Distributable Profits).

**Deemed Declaration of Capital Payments**

Notwithstanding the foregoing, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities if the Bank or any of its Subsidiaries declares or pays any capital payments, dividends or other distributions on any Parity Securities (excluding payments by Subsidiaries of the Bank exclusively to the Bank or a wholly-owned subsidiary of the Bank). If such capital payment, dividend or other distribution on such Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, then Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If such capital payment, dividend or other distribution on such Parity Securities was only a partial payment of the amount so owing, the amounts of the Capital Payments deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its Subsidiaries declares or pays any Junior Distributions, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay capital payments, dividends or other distributions.

If the Bank or any of its Subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for interests in the endowment capital (*Grundkapital*) of the Bank and subject to certain exceptions set forth in "Description of the Company Securities – Class B Preferred Securities – Capital Payments," the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for payment on the first Capital Payment Date falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

**Prohibition of Capital Payments**

Even if there are sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the "**BaFin**") (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits (including to the holders of Parity Securities, if any).

**Payments of Additional Amounts**

All payments on the Class B Preferred Securities and the Trust Preferred Securities, as the case may be (including any amount payable in liquidation or repayment upon redemption thereof) will be made without deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. In such event, the Company or the Trust, as the case may be, will pay, as additional Capital Payments, such additional amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after such deduction or withholding, will equal the amounts that would have been received had no such deduction or withholding been required ("**Additional Amounts**"). However, no such Additional Amounts will be payable in respect of the Class B Preferred Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and, to the extent not yet reflected in the calculation of Distributable Profits, capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);



- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; provided, however, that the exclusion set forth in this clause shall not apply in respect of any certification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder or beneficial owner of Class B Preferred Securities or Trust Preferred Securities than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms 1001, W-8 and W-9); or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Class B Preferred Securities or the Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

## **Redemption**

If the Company redeems the Class B Preferred Securities, the Trust must redeem the Trust Preferred Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on the Initial Redemption Date and on each Capital Payment Date thereafter at the Redemption Price plus Additional Amounts, if any.

The Company will also have the right, at any time, to redeem the Class B Preferred Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event (x) at the Redemption Price, in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, the Early Redemption Price, plus, in each case, Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred Securities only if it has:

- (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred

Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date;

- (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the liquidation preference amount of the Class B Preferred Securities; and
- (iii) obtained any required regulatory approvals. See "Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities."

No redemption of the Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- the Company has sufficient funds (by reason of the Debt Securities, Permitted Investments or the Support Undertaking) to pay the Redemption Price or the Early Redemption Price, as the case may be, and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any;
- The Bank has an amount of Distributable Profits for the preceding fiscal year at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date or the excess, if any, of the Make-Whole Amount over the aggregate liquidation preference amount of the Class B Preferred Securities, as applicable, plus, in each case, Additional Amounts, if any; and
- no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions of profits (including to the holders of Parity Securities, if any).

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but, in the event of any such distribution of Class B Preferred Securities, the rights of the holder of the Trust Common Security will be subordinated to the rights of the holders of the Trust Preferred Securities. See "Description of the Trust Securities – Redemption."

**The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.**

## **Liquidation**

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Preferred Securities will be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation or dissolution of the Company, (i) the holder of the Class A Preferred Security will be entitled to receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution and (ii) each holder of the Class B Preferred Securities will be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus accrued and unpaid Capital Payments in respect of the current Capital Payment Period up to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Bank under the Support Undertaking. Under the



terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

**Ranking of Trust Securities**

Payment of Capital Payments and other distributions and amounts on redemption of the Trust Securities will be made *pro rata* among the Trust Common Security and the Trust Preferred Securities based on the liquidation preferences thereof; *provided, however*, that upon the occurrence and during the continuance of a default under the Initial Debt Securities or the Support Undertaking, no payment of Capital Payments or any other distributions or amounts on redemption will be made to the holder of the Trust Common Security, unless payment in full in cash of all accrued and unpaid Capital Payments on, and amounts on redemption of, the Trust Preferred Securities have been made or provided for, and all funds immediately available to the Property Trustee will first be applied to payment in full in cash of all Capital Payments or other amounts on redemption of, the Trust Preferred Securities then due and payable before any such funds are applied to any payment on the Trust Common Security.

**Ranking of Company Securities**

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; *provided* that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66 $\frac{2}{3}$ % in liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates, other than the Trust), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the provisions of the LLC Agreement. For a description of these provisions set forth in the LLC Agreement, see "Description of the Company Securities – Mergers, Consolidations and Sales."

**Further Issues**

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company; *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the date of issue, the date as of which Capital Payments accrue, the issue price, and any other deviations required for compliance with law) so as to form a single series with the Class B Preferred Securities.

**Enforcement Rights** Upon the occurrence of any event causing a liquidation or dissolution of the Company or if (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) as and when due on the Class B Preferred Securities at the Stated Rate in full for two consecutive Capital Payment Periods or (ii) the Property Trustee or a holder of the Class B Preferred Securities or a holder of the Trust Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given, then a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination: (i) Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods and (ii) the Bank is in compliance with its obligations under the Support Undertaking.

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce certain rights of the holders of the Class B Preferred Securities. If the Property Trustee fails to enforce such rights under the Class B Preferred Securities, the holder of record of the Trust Preferred Securities, *i. e.* the Common Depository, but not an investor in the Trust Preferred Securities, may directly institute legal proceedings against the Company to enforce the Property Trustee's rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity. See "Description of the Trust Securities – Enforcement Events."

**Voting Rights** Except as expressly required by applicable law, or except as provided for in the Trust Agreement or the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws. For more information, see "Description of the Trust Securities – Voting and Enforcement Rights."

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated in the LLC Agreement. For more information, see "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights."

**Listing** Application has been made to list the Trust Preferred Securities on the Luxembourg Stock Exchange.

**Clearing and Settlement** Delivery of the Trust Preferred Securities will be made on or about March 9, 2007 to the Common Depository. The Trust Preferred Securities will be delivered to investors, in book-entry form, against payment on the second business day following the Issue Date. Payment and delivery will be effected through the facilities of Euroclear and Clearstream.

**Principal Paying Agent** Deutsche Bank Aktiengesellschaft, Frankfurt am Main

**Luxembourg Paying Agent** Deutsche Bank Luxembourg, S.A.

**Calculation Agent** Deutsche Bank Aktiengesellschaft, Frankfurt am Main

**Quotation Agent** Deutsche Bank AG, London Branch

**Notices** For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, all notices concerning the Trust Preferred Securities will be published in a daily newspaper having general circulation in Luxembourg.

**Governing Law** The LLC Agreement, including the terms of the Class A Preferred Security and the Class B Preferred Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Support Undertaking will be governed by the laws of the Federal Republic of Germany.

#### **Summary of the Terms of the Class A Preferred Security**

**Class A Preferred Security** The Company expects the Class A Preferred Security to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Class B Preferred Securities in full on any Capital Payment Date due to insufficient Distributable Profits of the Bank or an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits (including to the holders of Parity Securities, if any), and (ii) the Company has sufficient Operating Profits.

#### **Summary of the Terms of the Company Common Security**

**Company Common Security** Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Capital Payment Period have been declared and paid.

#### **Summary of the Terms of the Initial Debt Securities**

**Issuer** Bayerische Landesbank.

**Maturity Date** May 31, 2037.

**Principal Amount** U.S.\$ 850,027,000, equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus the aggregate amounts contributed by the Bank for the Class A Preferred Security and the Company Common Security, (as the same may be reduced by redemptions from time to time, the "**Principal Amount**").

**Interest Payments** Interest will accrue on the Principal Amount of the Initial Debt Securities (i) for each Interest Payment Period ending prior to the Reset Date, at the Fixed Rate, payable annually in arrears on each Fixed Rate Payment Date and (ii) for each Interest Payment Period commencing on or after the Reset Date, at the Floating Rate, payable quarterly in arrears on each Floating Rate Payment Date. For each Interest Payment Period ending prior to the Reset Date, interest will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Interest Payment Period. For each Interest Payment Period beginning on or after the Reset Date, interest will be calculated on the basis of the actual number of days elapsed in a 360-day year.

The rate of interest payable on the Initial Debt Securities will be at least equal to the rate at which Capital Payments will accrue on the Class B Preferred Securities and the Trust Preferred Securities.

**Payment of Additional Amounts**

Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes imposed by the Federal Republic of Germany or any political subdivision thereof or any other jurisdiction from which such payment is made unless such deduction or withholding is required by law. In such event, the Bank will pay as additional interest such amounts ("**Additional Interest Amounts**") as may be necessary in order that the net amounts received by the Company, after such withholding or deduction, will equal the amounts that would have been received had no such withholding or deduction been required; *provided*, that the obligation of the Bank (or the Bank as guarantor) to pay the Additional Interest Amounts will not apply:

- (i) with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- (ii) with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- (iii) with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities.

**Ranking**

The obligations under the Initial Debt Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Bank. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, the Bank such obligations will be subordinated to the claims of all unsubordinated creditors of the Bank so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Bank shall have been satisfied in full.

**Redemption**

The Initial Debt Securities will not be redeemable prior to May 31, 2017 (the "**Initial Debt Redemption Date**"), except upon the occurrence of a Company Special Redemption Event (and the redemption of the Class B Preferred Securities) at a redemption price equal to (x) the Principal Amount of the Initial Debt Securities in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, at the greater of (A) the Principal Amount of the Initial Debt Securities or (B) the Debt Make-Whole Amount, plus, in each case, any accrued and unpaid interest, plus Additional Interest Amounts, if any. Exercise by the Bank of such redemption right is conditioned upon replacement of the Principal Amount to be redeemed by paying in other, at least equivalent own funds (*haftendes Eigenkapital*) within the meaning of the German Banking Act (*Kreditwesengesetz*), or prior approval of the BaFin of such early redemption. Except as set forth under "– Substitution" below, the Initial Debt Securities may not be redeemed for any reason prior to maturity (except upon the occurrence of a Company Special Redemption Event) unless the Company has the right to, and has given notice that it will, redeem the Class B Preferred Securities in an amount equal to the Principal Amount of the Initial Debt Securities plus any accrued and unpaid interest up to, but excluding, the Debt Redemption Date, plus Additional Interest Amounts, if any. See "Description of the Initial Debt Securities."

**Substitution**

At any time, the Bank will have the right to (i) substitute as obligor of the Debt Securities a Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities issued by the Bank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (including on behalf of a branch other than a U.S. branch), in each case, with identical terms to those of the Initial Debt Securities; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event, (b) the Bank (if it is not itself the substitute obligor) guarantees on a subordinated basis the obligations of any such Qualified Subsidiary, and (c) for this purpose, a Qualified Subsidiary does not include a subsidiary organized under the laws of the United States of America or any of its states.

**Reinvestment**

The LLC Agreement provides that after the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in debt obligations of one or more Qualified Subsidiaries, unconditionally guaranteed by the Bank on a subordinated basis or in U.S. Treasury securities (together, "**Permitted Investments**"); *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

**Governing Law**

The Initial Debt Securities will be governed by the laws of the Federal Republic of Germany.

## SUMMARY IN RESPECT OF RISK FACTORS

### RISK FACTORS RELATED TO THE OFFERING

#### **Risks associated with the financial condition of the Bank and its affiliates**

There can be no assurances that the Bank will have sufficient Distributable Profits for the Company (and the Trust) to declare and pay Capital Payments at the Stated Rate in full.

#### **No Guaranteed Capital Payments**

The declaration of Capital Payments by the Company on the Class B Preferred Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. The Board of Directors of the Company has discretion in declaring and making Capital Payments, except with respect to deemed declarations which are mandatory.

Even if the Bank has sufficient Distributable Profits and the Company has sufficient Operating Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date if on such date there is in effect an order of the BaFin or any other relevant regulatory authority prohibiting the Bank from making any distributions of profits (including to the holders of Parity Securities, if any). To the extent the Company is not permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date, this will reduce the amount available to the Trust to make Capital Payments on the Trust Preferred Securities.

#### **Noncumulative Capital Payments**

The right of the holders of the Trust Preferred Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders of the Trust Preferred Securities will have no right to receive a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

#### **No voting rights; relationships with the Bank and its affiliates**

The Bank will control the Company through its or a BayernLB Group Company's power, as holder of the Company Common Security, to elect a majority of the Board of Directors. Generally, the Trust, to the extent that it is the holder of the Class B Preferred Securities, will have no right to vote to elect members of the Board of Directors. The company expects that all initial and future directors and officers of the Company, as well as the three Regular Trustees of the Trust will be individuals whose services will be rendered according to agreements between the Bank and Deutsche International Corporate Services (Delaware) LLC and Deutsche Bank Trust Company Delaware, respectively, until they are removed or replaced by the holder of the Company Common Security and the holder of the Trust Common Security, respectively.

#### **Special redemption risk**

*Redemption upon occurrence of a Company Special Redemption Event.* The Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are: (i) changes in the tax status of the Company or the Trust, (ii) Additional Amounts or Additional Interest Amounts, as the case may be, become applicable to payments on the Class B Preferred Securities, the Trust Securities or the Debt Securities, (iii) the Bank is permitted to treat neither the Class B Preferred Securities nor, as the case may be, the Trust Preferred Securities, as Tier I regulatory



capital on a consolidated basis or (iv) the Company will be considered an “investment company” within the meaning of the 1940 Act.

*Liquidation of the Trust upon occurrence of a Trust Special Redemption Event.* If there has occurred a Tax Event, a Gross-up Event or an Investment Company Act Event, each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Preferred Securities would receive as its liquidation distribution a corresponding number of the Class B Preferred Securities. Upon such distribution, the Class B Preferred Securities might never be listed on any securities exchange or eligible for trading through Euroclear or Clearstream. Accordingly, and as a result of the potential tax liability accruing to holders of Class B Preferred Securities received on dissolution and liquidation of the trust, the Class B Preferred Securities may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

### **The Support Undertaking is not a guarantee that Capital Payments will be made**

The Bank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Class B Preferred Securities. However, the Support Undertaking does not represent a guarantee (*Garantie*) from the Bank that the Company will be authorized to declare and make a Capital Payment for any Capital Payment Period. The obligations of the Bank under the Support Undertaking rank junior to all indebtedness of the Bank and *pari passu* with amounts payable to the holders of the most senior preference shares of the Bank, if any, that rank senior to the endowment capital (*Grundkapital*) of the Bank as to liquidation rights and with other instruments qualifying as Tier I regulatory capital.

### **No fixed redemption date**

There is no fixed redemption date for the Class B Preferred Securities and, hence, for the Trust Preferred Securities. Neither the Class B Securities nor the Trust Preferred Securities will be redeemable at the option of the holder thereof. Even though the Class B Preferred Securities and the Trust Preferred Securities may be redeemed on the Initial Redemption Date, there can be no assurance that the Company will opt to redeem the Class B Preferred Securities on the Initial Redemption Date.

Whether or not the Company decides to redeem the Class B Preferred Securities will depend on a number of factors, most of which are outside the control of the Bank and the Company.

### **Regulatory restrictions on the Company’s operations**

The Company is a subsidiary of the Bank. German bank regulatory authorities could make determinations in the future with respect to the Bank that could adversely affect the Company’s ability to make Capital Payments in respect of the Class B Preferred Securities.

### **No prior public market**

There was no prior public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Luxembourg Stock Exchange. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

## **RISK FACTORS RELATED TO THE TRUST**

The Trust is a funding vehicle for the BayernLB Group which has been established solely for the purpose of issuing the Trust Preferred Securities and the Trust Common Security and investing the proceeds from the issue in the Class B Preferred Securities which are expected to constitute the sole assets of the Trust. In the event that the Company fails to make a payment under the Class B Preferred Securities and the Bank fails to make a payment under the Support Undertaking, the Trust will not be in a position to meet its payment obligations under the Trust Preferred Securities.

## **RISK FACTORS RELATED TO THE COMPANY**

The Company is a funding vehicle for the BayernLB Group which has been established solely for the purpose of issuing the Company Securities and investing the proceeds from the issue of the Class B Preferred Securities in the Initial Debt Securities which are expected to constitute the sole assets of the Company. In the event that the Bank fails to make a payment under the Debt Securities, the Company will not be in a position to meet its payment obligations under the Class B Preferred Securities and, in turn, unless sufficient payments are made by the Bank under the Support Undertaking, the Trust will not be in a position to meet its payment obligations under the Trust Preferred Securities.

## **RISK FACTORS RELATED TO THE BANK**

Like other market participants, the Bank is exposed to certain risks in connection with its business activities, the realization of which might ultimately lead to the Bank's inability to fulfill its obligations, at all or in due time, under any issue of securities.

The main risk exposure of the Bank is due to a counterparty risk, to risk resulting from investments, to country risk, to market price risk, to liquidity risk as well as operational risk (OpRisk).

The legal framework for the risk controlling consists of the "Minimum Requirements for Risk Management" (MaRisk) of the BaFin.

The Bank employs uniform procedures to control and monitor its risks across its business areas. The objective is to optimize the Bank's risk/return profile for all of the various types of risk. All risks are identified, measured, aggregated and controlled in the process based on a framework of risk principles, as well as corresponding organizational structures and processes. However, there can be no assurance that the Bank's procedures for identifying, analyzing, assessing, controlling and monitoring the risks will prove sufficient and adequate in the future.

## **SUMMARY OF BAYERNLB ENTITIES**

### **Summary in respect of BayernLB Group**

#### ***General Information***

The legal name of the Bank is Bayerische Landesbank, the Bank's advertising name is BayernLB. The Bank's registered office is in Munich. The head office is located at Brienner Strasse 18, D-80333 Munich, Federal Republic of Germany (tel. (+49)(0)89-2171-0).

The Bank was established by the Act on the Establishment of the Bayerische Landesbank Girozentrale (*Gesetz über die Errichtung der Bayerischen Landesbank Girozentrale*) of June 27, 1972 for an unlimited duration. It is a German public law institution (*Anstalt des öffentlichen Rechts*), registered with the Commercial Register (*Handelsregister*) of the district court of Munich (*Amtsgericht München*) under HRA 76030. Its indirect shareholders are the Free State of Bavaria and the Association of Bavarian Savings Banks (*Sparkassenverband Bayern*), each owning an indirect interest in the Bank of 50%. The Act on Bayerische Landesbank (*Gesetz über die Bayerische Landesbank*) and the Statutes of the



Bank (*Satzung der Bayerischen Landesbank*) authorize the Bank to provide universal financial services.

The Bank has foreign entities (*Einheiten*) in London, Paris, Milan, New York, Hong Kong, Luxembourg and Shanghai as well as representative offices in Montreal, Tokyo and Beijing. The main participations that are of strategic significance to the Group are DKB Deutsche Kreditbank Aktiengesellschaft, Berlin, Landesbank Saar, Saarbrücken (SaarLB), MKB Bank Rt. (MKB) in Budapest, Banque LB Lux S.A., Luxembourg and LB(Swiss) Privatbank AG, Zurich. The Bank is a member of the nationwide German Savings Banks Organization (*Deutscher Sparkassen- und Giroverband*) with far more than 400 regional universal banks covering the German retail market and the entire German economy with a close-knit network of branches.

### ***Business overview: Principal markets and activities***

The Bank has positioned itself as a bank that focuses on core regions and collaborates closely with the Bavarian savings banks and other partners of the Savings Banks Financial Group (*Sparkassen-Finanzgruppe*). It is the central bank to the Bavarian savings banks (*Sparkassen*) and an important member of the Savings Banks Financial Group Bavaria (*Sparkassen-Finanzgruppe Bayern*). The Bank provides financial and related services for its partner institutes of the Savings Banks Financial Group Bavaria acting as their network bank. Further, the Bank functions as principal bank to the Free State of Bavaria, assists the Bavarian municipalities with the execution of their duties and responsibilities and actively supports national and local governments, financial institutions, medium and large companies and real estate customers. The Bank acts as manager for bond issues, treasury functions and development programs of the Free State of Bavaria.

The business of the Bank consists, *inter alia*, of commercial banking, in particular long-term lending (loans with an original maturity of four years or more, both retail and wholesale targeted, extended in euro and in various other currencies), and of investment banking and other securities-related activities, including investing in, and underwriting and trading securities for, customers and the Bank's own account and providing asset management, advisory and foreign exchange services. The Bank provides a broad spectrum of portfolio management, investment banking and custodial services to individual, institutional and corporate customers both domestically and abroad. The Bank is also a frequent issuer of both mortgage-backed bonds and bonds secured by a public debt pool, as well as unsecured medium-term and long-term bonds. In support of its securities trading activities and its broad range of investment banking services both in Germany and abroad, BayernLB Group offers a variety of primary research and advisory services, technical market analysis and regular reports on market developments of European issuers.

The business areas of the Bank comprise the Corporates Business Area, the Real Estate Business Area, the Financial Markets Business Area, the Financial Office Support Operations, the Financial Institutions and Sovereigns Business Area, the Savings Banks and Bavarian Market Business Area, Bayerische Landesbausparkasse (LBS) and Bayerische Landesbodenkreditanstalt (BayernLabo) as legally dependent entities, the Corporate Services Support Operations and Risk Office Support Operations.

The Bank has supplemented its global presence by cooperations with major international banks, enabling it to offer its customers an extensive range of products and services. The Hungarian subsidiary MKB Bank Rt. (MKB) is an important factor with respect to the progress of the further implementation of the Bank's Eastern Europe strategy adopted in 2004. Key elements of the Bank's revised Asia strategy of 2005 are the support for German companies active in Asia and the extension and acquisition of business with major institutional customers with a local focus on Asia. The Bank aims at putting a stronger focus on its retail activities.

### **Summary in respect of the Company**

The Company is a limited liability company that was formed under the LLC Act on September 25, 2006 pursuant to an initial limited liability company agreement (as subsequently amended and restated, the "**LLC Agreement**") and the filing of a certificate of formation of the Company with the

Secretary of State of the State of Delaware. The location of the principal executive offices of the Company is c/o Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America.

Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100% of the issued and outstanding Class B Preferred Securities for the benefit of the holders and beneficial owners of the Trust Securities. A BayernLB Group Company will hold the issued and outstanding Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (other than a U.S. Qualified Subsidiary) (including on behalf of a branch other than a U.S. branch) in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

#### **Summary in respect of the Trust**

The Trust is a statutory trust formed under the Delaware Statutory Trust Act, as amended (the "Trust Act"), pursuant to the Trust Agreement executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on September 25, 2006. The location of the principal executive office of the Trust is c/o Deutsche Bank Trust Company Delaware, BayernLB Capital Trust I, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America, phone +1-(302) 636-3301.

A BayernLB Group Company will be the holder of the Trust Common Security representing a capital contribution in respect thereof equal to U.S.\$ 1,000.

The Trust has been established as a special purpose vehicle. It will use the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists for the sole purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the Class B Preferred Securities, (ii) investing the proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities, *provided* it receives from the Company an equal number of additional Class B Preferred Securities.

## ZUSAMMENFASSUNG DES PROSPEKTS

*Diese Zusammenfassung sollte als Einführung zum Prospekt gelesen werden. Sie enthält einen Überblick über die Transaktion, eine Zusammenfassung der Bedingungen der Trust-Preferred-Wertpapiere und der Class-B-Preferred-Wertpapiere sowie Informationen zur BayernLB Gruppe und zu diesem Angebot. Eine detailliertere Beschreibung der Bedingungen der Trust-Preferred-Wertpapiere, der Class-B-Preferred-Wertpapiere, der Anfänglichen Schuldverschreibungen und der Nachrangigen Patronatserklärung finden Sie in englischer Sprache in den Abschnitten „Description of the Trust Securities“, „Description of the Company Securities“, „Description of the Support Undertaking“ und „Description of the Initial Debt Securities“ sowie „Distributable Profits of the Bank.“ Beschreibungen des Trust, der Gesellschaft und der Bank finden Sie in englischer Sprache in den Abschnitten „BayernLB Capital Trust I“, „BayernLB Capital LLC I“ sowie „BayernLB Group.“ Definierte Begriffe haben in diesem Prospekt grundsätzlich die ihnen im Abschnitt „Definitionen“ zugewiesene Bedeutung. Soweit nicht anders angegeben, erfolgt die Darstellung der Finanzdaten der BayernLB Gruppe in diesem Prospekt oder durch Aufnahme in Form eines Verweises gemäß den Bestimmungen des Deutschen Handelsgesetzbuches („HGB“).*

*Die nachfolgende Zusammenfassung steht gänzlich unter dem Vorbehalt der detaillierten Informationen und Finanzdaten, die an anderer Stelle in diesem Prospekt aufgeführt oder durch Verweis in ihn aufgenommen sind. Die Entscheidung eines Anlegers, in die Trust-Preferred-Wertpapiere zu investieren, sollte unter Berücksichtigung dieses gesamten Prospekts, einschließlich der Dokumente, die durch Verweis aufgenommen sind, erfolgen. Werden aufgrund der in diesem Prospekt enthaltenen Informationen vor einem Gericht Ansprüche geltend gemacht, so kann der klagende Anleger gemäß den anwendbaren nationalen Rechtsvorschriften unter Umständen verpflichtet sein, vor Einleitung eines Gerichtsverfahrens die Kosten für die Übersetzung dieses Prospekts, einschließlich der Dokumente, die durch Verweis aufgenommen sind, zu tragen. Die Personen, welche die Zusammenfassung einschließlich einer Übersetzung davon vorgelegt und deren Notifizierung beantragt haben, können nach den anwendbaren gesetzlichen Vorschriften haftbar gemacht werden, sofern die Zusammenfassung, wenn sie in Verbindung mit anderen Teilen dieses Prospekts gelesen wird, irreführend, unzutreffend oder widersprüchlich ist.*

### Überblick über die Transaktion

BayernLB Capital Trust I (der „**Trust**“) besteht zu dem alleinigen Zweck (i), die Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung und einen Trust-Stammanteil ohne nachzahlbare Ausschüttungsberechtigung auszugeben, (ii) die Bruttoemissionserlöse daraus in die von der BayernLB Capital LLC I (die „**Gesellschaft**“) ausgegebenen Class-B-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung zu investieren, und (iii) andere Tätigkeiten, die hiermit verbunden oder hierfür erforderlich sind, auszuüben. Die Trust-Wertpapiere verbrieften alle Eigentumsrechte am Trust. Der Trust-Stammanteil wird von der Bank oder einer BayernLB-Konzerngesellschaft gehalten.

Zusätzlich zu den Class-B-Preferred-Wertpapieren, die vom Trust erworben werden, gibt die Gesellschaft zudem den Gesellschafts-Stammanteil und das Class-A-Preferred-Wertpapier (die „**Gesellschafts-Wertpapiere**“) aus. Die Gesellschafts-Wertpapiere verbrieften alle Eigentumsrechte an der Gesellschaft. Der Gesellschafts-Stammanteil und das Class-A-Preferred-Wertpapier werden von der Bank oder von einer BayernLB-Konzerngesellschaft gehalten.

Die Gesellschaft wird die Bruttoerlöse aus der Ausgabe der Gesellschafts-Wertpapiere zum Erwerb der Anfänglichen Schuldverschreibungen verwenden. Die von der Bank ausgegebenen Anfänglichen Schuldverschreibungen haben einen Gesamtnennbetrag von US-\$ 850.027.000 und sind am 31. Mai 2037 zur Rückzahlung fällig. Die Anfänglichen Schuldverschreibungen sind gemäß ihren Bedingungen nachrangig gegenüber Ansprüchen anderer Gläubiger der Bank. Die Erlöse, die die Gesellschaft aus den Anfänglichen Schuldverschreibungen und Ersatz-Schuldverschreibungen erzielt, werden an die Inhaber der Class-B-Preferred-Wertpapiere bzw. den Inhaber des Class-A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils ausgeschüttet werden.

Der Trust wird festgesetzte (oder als festgesetzt geltende) periodische Ausschüttungen, die von der Gesellschaft gemäß dem zwischen der Bank und dem Trust abgeschlossenen LLC-Vertrag (der vor der Ausgabe der Gesellschafts-Wertpapiere neu gefasst wurde) auf die Class-B-Preferred-Wertpapiere gezahlt werden, und die der Trust als Inhaber der Class-B-Preferred-Wertpapiere erhält, an die Inhaber der Trust-Preferred-Wertpapiere gemäß dem zwischen unter anderem den Trustees, der Bank und der Gesellschaft abgeschlossenen Trust-Vertrag (der vor der Ausgabe der Trust-Wertpapiere neu gefasst wurde) weiterleiten. Diese Ausschüttungen auf die Trust-Preferred-Wertpapiere werden auf den Betrag der Ausschüttungen auf die Class-B-Preferred-Wertpapiere beschränkt sein.

Ausschüttungen auf die Class-B-Preferred-Wertpapiere werden gemäß dem LLC-Vertrag für einen Zahlungszeitraum aus den Beträgen vorgenommen, um die (i) die auf die Anfänglichen Schuldverschreibungen und die Ersatz-Schuldverschreibungen von deren Emittenten bzw. nach dem Endfälligkeitstag auf die Zulässigen Anlagen, die die Gesellschaft dann gegebenenfalls hält, oder gegebenenfalls gemäß der Nachrangigen Patronatserklärung gezahlten Beträge (ii) die betrieblichen Aufwendungen der Gesellschaft, die nicht von der Bank gezahlt oder erstattet werden, im betreffenden Zahlungszeitraum übersteigen.

Vorbehaltlich der Bestimmungen des LLC-Vertrags und des Trust-Vertrags laufen Ausschüttungen auf den jeweiligen Liquidationsvorzugsbetrag von US-\$ 1.000 der Class-B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere (i) vom Valutatag (einschließlich) bis zum Reset-Tag (ausschließlich) am 31. Mai 2017, zahlbar jährlich nachträglich am 31. Mai eines jeden Jahres (einschließlich des Reset-Tags), zum ersten Mal am 31. Mai 2007, und (ii) für jeden Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zu der Variablen Ausschüttungsrate, zahlbar vierteljährlich nachträglich am 28. Februar (in einem Schaltjahr aber am 29. Februar), 31. Mai, 31. August und 30. November eines jeden Jahres, erstmals am 31. Mai 2017, auf.

Für jeden Zahlungszeitraum, der vor dem Reset-Tag endet, werden die Ausschüttungen auf Basis der tatsächlich vergangenen Tage geteilt durch die tatsächliche Anzahl von Tagen (365 oder 366) des anwendbaren Zahlungszeitraums berechnet. Für jeden Zahlungszeitraum, der an oder nach dem Reset-Tag beginnt, werden die Ausschüttungen auf Basis der tatsächlichen Anzahl der Tage, die in einem Jahr von 360 Tagen bereits vergangen sind, berechnet.

**Falls die Gesellschaft keine Ausschüttung auf die Class-B-Preferred-Wertpapiere für einen Zahlungszeitraum festsetzt (und eine solche Ausschüttung nicht als festgesetzt gilt), haben die Inhaber der Class-B-Preferred-Wertpapiere keinen Anspruch auf eine Ausschüttung auf die Class-B-Preferred-Wertpapiere für einen solchen Zahlungszeitraum und die Gesellschaft ist nicht verpflichtet, eine Ausschüttung auf die Class-B-Preferred-Wertpapiere für einen solchen Zahlungszeitraum vorzunehmen, unabhängig davon, ob Ausschüttungen auf die Class-B-Preferred-Wertpapiere für einen zukünftigen Zahlungszeitraum festgesetzt werden (oder als festgesetzt gelten) und gezahlt werden. In einem solchen Fall werden die Anleger keine entsprechenden Ausschüttungen auf die Trust-Preferred-Wertpapiere für einen solchen Zahlungszeitraum erhalten.**

Eine Zusammenfassung der Bedingungen der Trust-Preferred-Wertpapiere und der Class-B-Preferred-Wertpapiere findet sich in englischer Sprache unter „Description of the Trust Securities“ und „Description of the Company Securities – Class B Preferred Securities“.

Die Bank und die Gesellschaft werden die Nachrangige Patronatserklärung, deren Bedingungen in englischer Sprache in Appendix A diesem Prospekt beigefügt sind, zugunsten der Inhaber der Class-B-Preferred-Wertpapiere abschließen. Gemäß der Nachrangigen Patronatserklärung verpflichtet sich die Bank unter anderem dazu, dass (i) die Gesellschaft jederzeit in der Lage sein wird, ihre Verpflichtungen bei jeweiliger Fälligkeit zu erfüllen, einschließlich ihrer Verpflichtung zur Zahlung der festgesetzten (oder als festgesetzt geltenden) Ausschüttungen (zuzüglich etwaiger Zusätzlicher Beträge auf diese) und fälliger Einziehungsbeträge bezüglich der Class-B-Preferred-Wertpapiere, und (ii) die Gesellschaft im Fall ihrer Liquidation oder Auflösung über ausreichende Mittel verfügen wird, um die gesamten Liquidationsvorzugsbeträge der Class-B-Preferred-Wertpapiere, einschließlich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) sowie etwaiger Zusätzlicher Beträge zu zahlen.

**Die Nachrangige Patronatserklärung stellt keine Garantie und keine Verpflichtung irgendeiner Art dar, dass die Gesellschaft jederzeit über ein ausreichendes Vermögen verfügen wird, um Ausschüttungen auf die Class-B-Preferred-Wertpapiere oder sonstige Auszahlungen festzusetzen. Die Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung sind gegenüber allen vorrangigen und allen nachrangigen Verpflichtungen der Bank nachrangig, mit den höchstrangigen gegebenenfalls ausgegebenen Vorzugsaktien der Bank, die in Bezug auf Liquidationsrechte gegenüber dem Grundkapital der Bank vorrangig sind sowie anderen Instrumenten der Bank, die als Kernkapital qualifizieren, mindestens gleichrangig, und gegenüber allen anderen Vorzugsaktien und Anteilen am Grundkapital der Bank vorrangig.**

Die Inhaber der Class-B-Preferred-Wertpapiere sind Drittbegünstigte der Nachrangigen Patronatserklärung. Eine Zusammenfassung der Bedingungen der Nachrangigen Patronatserklärung findet sich in englischer Sprache im Abschnitt „Description of the Support Undertaking“.

**Die Class-B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere haben keinen festgelegten Endfälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar.**

Die Class-B-Preferred-Wertpapiere können am oder nach dem Anfänglichen Einziehungstag nach Wahl der Gesellschaft ganz, aber nicht teilweise, an jedem Zahlungstag zu einem Einziehungsbetrag pro Class-B-Preferred-Wertpapier, der dem Liquidationsvorzugsbetrag der Class-B-Preferred-Wertpapiere zuzüglich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Einziehungstag (ausschließlich) und etwaiger Zusätzlicher Beträge entspricht, eingezogen werden (der „Einziehungsbetrag“). Ferner können die Class-B-Preferred-Wertpapiere von der Gesellschaft bei Eintritt eines Gesellschafts-Sonderkündigungsfalls ganz, aber nicht teilweise, (x) zum Einziehungsbetrag bei Eintritt eines Gross-up Ereignisses oder (y) bei Eintritt eines anderen Gesellschafts-Sonderkündigungsfalls zum Vorzeitigen Einziehungsbetrag, jeweils zuzüglich etwaiger Zusätzlicher Beträge, jederzeit eingezogen werden.

Vorbehaltlich der Bedingungen des Trust-Vertrags ist der Trust bei Einziehung der Class-B-Preferred-Wertpapiere verpflichtet, die diesbezüglichen Einziehungserlöse dazu zu verwenden, die Trust-Wertpapiere einzuziehen.

Bei Eintritt eines Trust-Sonderkündigungsfalls oder bei Auflösung, Liquidation, Abwicklung oder Beendigung des Trusts sind die Inhaber der Trust-Preferred-Wertpapiere berechtigt, eine entsprechende Anzahl von Class-B-Preferred-Wertpapieren zu erhalten. Siehe Abschnitt „Description of the Trust Securities – Redemption“ in englischer Sprache.

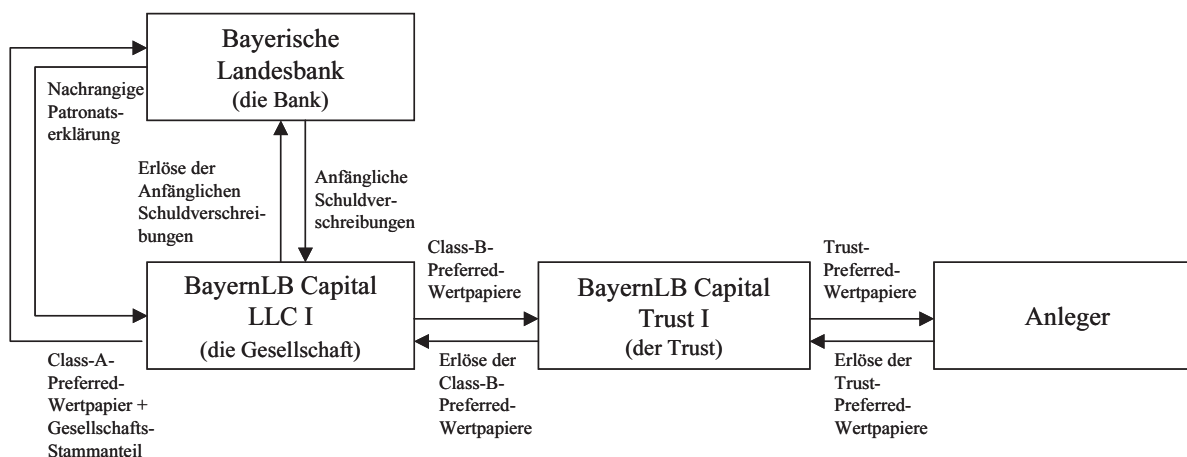
**Da die Class-B-Preferred-Wertpapiere die einzigen Vermögenswerte des Trusts darstellen und die Inhaber der Trust-Preferred-Wertpapiere unter bestimmten Umständen Class-B-Preferred-Wertpapiere erhalten können, treffen potenzielle Käufer der Trust-Preferred-Wertpapiere auch eine Anlageentscheidung bezüglich der Class-B-Preferred-Wertpapiere und sollten dementsprechend aufmerksam alle Informationen hinsichtlich der Class-B-Preferred-Wertpapiere lesen. Siehe Abschnitte „Description of the Company Securities – Class B Preferred Securities“ und „Risk Factors – Special Redemption Risk“ in englischer Sprache.**

Gleichzeitig mit dem Erwerb der Trust-Preferred-Wertpapiere durch die Manager, wie in der englischen Sprache unter „Subscription and Sale“ dargestellt, werden die Gesellschaft, der Trust und die Bank die folgenden Transaktionen vornehmen: (i) die Gesellschaft wird an die Bank den Gesellschafts-Stammanteil ausgeben; (ii) die Gesellschaft wird an die Bank das Class-A-Preferred-Wertpapier ausgeben; (iii) der Trust wird an die Bank den Trust-Stammanteil ausgeben; (iv) der Trust wird die Trust-Preferred-Wertpapiere, die im Namen der Gemeinsamen Verwahrstelle registriert werden, an die Manager ausgeben, die die Trust-Preferred-Wertpapiere an die Anleger verkaufen werden; (v) die Gesellschaft wird an den Trust die Class-B-Preferred-Wertpapiere ausgeben; und (vi) die Gesellschaft wird von der Bank die Anfänglichen Schuldverschreibungen erwerben.

Die Bank wird als Inhaberin des Gesellschafts-Stammanteils das Board of Directors, das anfangs aus vier Directors bestehen wird, ernennen.



Das folgende Schaubild zeigt die Beziehungen der Gesellschaft, des Trusts und der Bank nach Abschluss des Angebots.



## Das Angebot

<b>Der Trust</b>	BayernLB Capital Trust I ist ein nach dem Recht des Staates Delaware errichteter Statutory Trust, der für das Halten der Class-B-Preferred-Wertpapiere und die Weiterleitung der Ausschüttungen und der Einziehungsbeträge der Class-B-Preferred-Wertpapiere an die Inhaber der Trust-Wertpapiere errichtet worden ist.
<b>Die Gesellschaft</b>	BayernLB Capital LLC I, eine Delaware Limited Liability Company, ist eine hundertprozentige Tochtergesellschaft der Bank. Die einzigen Vermögenswerte der Gesellschaft sind die Schuldverschreibungen und die Zulässigen Anlagen.
<b>Die Bank</b>	Die Bayerische Landesbank, eine Anstalt des öffentlichen Rechts in der Bundesrepublik Deutschland, ist befugt, sämtliche Bank- und Finanzdienstleistungen anzubieten.
<b>Trust-Wertpapiere</b>	Der Trust-Stammanteil zusammen mit den Trust-Preferred-Wertpapieren. Der Trust-Stammanteil bedeutet einen Stammanteil des Trusts und Trust-Preferred-Wertpapiere bedeutet US-\$ 850.000.000 auf den Namen lautende Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung, so wie im Rahmen des nachfolgend beschriebenen Angebots angeboten.
<b>Gesellschafts-Wertpapiere</b>	Der Gesellschafts-Stammanteil und die Gesellschafts-Preferred-Wertpapiere, d.h. die Class-A-Preferred-Wertpapiere und die Class-B-Preferred-Wertpapiere.
<b>Gegenstand des Angebots</b>	US-\$ 850.000.000 auf den Namen lautende Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung mit einem Liquidationsvorzugsbetrag von US-\$ 1.000 je Trust-Preferred-Wertpapier; der Mindestliquidationsvorzugsbetrag, der von einem Inhaber bei der Erstplatzierung erworben werden kann, beträgt US-\$ 75.000. Die Bedingungen der Trust-Preferred-Wertpapiere sind im Wesentlichen identisch mit den Bedingungen der Class-B-Preferred-Wertpapiere. Das Angebot besteht aus einer internationalen Privatplatzierung außerhalb der Vereinigten Staaten von Amerika gemäß Regulation S. Siehe Abschnitt „Subscription and Sale“ in englischer Sprache.
<b>Ausgabepreis</b>	100% (entspricht US-\$ 1.000 je Trust-Preferred-Wertpapier).

**Verwendung der Erlöse**

Der Erlös aus dem Verkauf der Trust-Wertpapiere wird vom Trust in die Class-B-Preferred-Wertpapiere investiert. Die Gesellschaft wird den Erlös aus dem Verkauf der Class-B-Preferred-Wertpapiere, zusammen mit den in Bezug auf die Ausgabe des Class-A-Preferred-Wertpapiers und des Gesellschafts-Stammantheils von der Bank eingebrachten Mittel, für den Kauf von Anfänglichen Schuldverschreibungen verwenden. Die Bank beabsichtigt, die Class-B-Preferred-Wertpapiere als aufsichtsrechtliches Kernkapital auf konsolidierter Basis zu behandeln. Die Bank beabsichtigt, den Erlös aus dem Verkauf der Anfänglichen Schuldverschreibungen für allgemeine Unternehmenszwecke zu verwenden.

**Nachrangige Patronatserklärung der Bank**

Die Bank wird mit der Gesellschaft eine nachrangige Patronatserklärung zugunsten der Gesellschaft und der Inhaber der Class-B-Preferred-Wertpapiere abschließen, wonach sich die Bank verpflichtet sicherzustellen, dass:

- (i) die Gesellschaft jederzeit in der Lage sein wird, ihre Verpflichtungen bei jeweiliger Fälligkeit zu erfüllen, einschließlich festgesetzter (oder als festgesetzt geltender) Ausschüttungen auf die Class-B-Preferred-Wertpapiere zuzüglich etwaiger Zusätzlicher Beträge auf diese und fälliger Einziehungsbeträge bezüglich der Class-B-Preferred-Wertpapiere; und
- (ii) die Gesellschaft im Fall ihrer Liquidation oder Auflösung über ausreichende Mittel verfügen wird, um die Liquidationsvorzugsbeträge der Class-B-Preferred-Wertpapiere, einschließlich aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) sowie etwaiger Zusätzlicher Beträge zu zahlen.

**Die Nachrangige Patronatserklärung stellt keine Garantie irgendeiner Art dar, dass die Gesellschaft jederzeit über ausreichendes Vermögen verfügen wird, um Ausschüttungen oder sonstige Auszahlungen festzusetzen.**

Die Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung sind gegenüber allen vorrangigen und allen nachrangigen Verpflichtungen der Bank nachrangig, mit den höchstrangigen gegebenenfalls ausgegebenen Vorzugsaktien der Bank, die in Bezug auf Liquidationsrechte gegenüber den Anteilen am Grundkapital der Bank vorrangig sind, und anderen Instrumenten der Bank, die als Kernkapital qualifizieren, mindestens gleichrangig, und gegenüber allen anderen Vorzugsaktien und den Anteilen am Grundkapital der Bank vorrangig. Die Inhaber der Class-B-Preferred-Wertpapiere sind Drittbegünstigte der Nachrangigen Patronatserklärung. Falls ein Inhaber von Class-B-Preferred-Wertpapieren der Gesellschaft mitgeteilt hat, dass die Bank eine Verpflichtung aus der Nachrangigen Patronatserklärung nicht erfüllt hat, und diese Nichterfüllung länger als 60 Tage nach dem Zeitpunkt der Mitteilung fort dauert, sind die Inhaber einer Mehrheit des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere berechtigt, den Unabhängigen Enforcement Director zu ernennen, der verpflichtet ist, die Rechte der Gesellschaft aus der Nachrangigen Patronatserklärung ohne Beeinträchtigung der Interessen der Inhaber der Class-B-Preferred-Wertpapiere durchzusetzen.

Die Bank verpflichtet sich ferner, keine Garantie oder ähnliche Verpflichtungen in Bezug auf andere Vorzugswertpapiere oder vergleichbare Wertpapiere eines anderen verbundenen Unternehmens abzugeben oder eine andere Vereinbarung zur Sicherung solcher Vorzugswertpapiere oder vergleichbarer Wertpapiere abzugeben, wenn eine solche Garantie, ein solches Versprechen oder eine solche Vereinbarung in irgendeiner Hinsicht gegenüber der Nachrangigen Patronatserklärung vorrangig wäre, außer wenn die Patronatserklärung so geändert wird, dass diese mit einer solchen anderen Garantie oder Vereinbarung mindestens gleichrangig ist und im Wesentlichen gleichwertige Vorrechte in Bezug auf Zahlungen enthält.

## Zusammenfassung der Bedingungen der Trust-Preferred-Wertpapiere und der Class-B-Preferred-Wertpapiere

### Verbriefung und Stückelung

Die Trust-Preferred-Wertpapiere werden als Namenswertpapiere in Girosammelverwahrung in einer Stückelung von US-\$ 1.000 (Liquidationsvorzugsbetrag) ausgegeben und werden durch eine oder mehrere von der Gemeinsamen Verwahrstelle verwahrte Globalurkunden verbrieft (mit Ausnahme von besonderen Umständen, in denen effektive Stücke ausgegeben werden. Siehe Abschnitt „Description of the Trust Securities – Definitive Certificates and the Exchange of Book-Entry Securities for Definitive Certificates“ in englischer Sprache).

### Endfälligkeit

Die Trust-Preferred-Wertpapiere und die Class-B-Preferred-Wertpapiere haben keinen Endfälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar. Die Gesellschaft kann unter bestimmten Umständen die Class-B-Preferred-Wertpapiere ganz aber nicht teilweise einziehen. Siehe Abschnitt „Description of the Company Securities – Class B Preferred Securities – Redemption of the Class B Preferred Securities“ in englischer Sprache.

### Ausschüttungen

Vorbehaltlich der Bestimmungen des Trust-Vertrags bzw. des LLC-Vertrags laufen Ausschüttungen auf den jeweiligen Liquidationsvorzugsbetrag von US-\$ 1.000 je Trust-Preferred-Wertpapier (der „**Liquidationsvorzugsbetrag**“) und von US-\$ 1.000 je Class-B-Preferred-Wertpapier wie folgt auf: (i) vom Valutatag (einschließlich) bis zum Reset-Tag (ausschließlich) zu einem festen Satz von 6,2032 % p. a. (die „**Feste Ausschüttungsrate**“), jährlich nachträglich zahlbar am 31. Mai eines jeden Jahres (einschließlich des Reset-Tags), zum ersten Mal am 31. Mai 2007, und (ii) für jeden Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, zum 3-Monats-LIBOR zuzüglich einer Marge von 1,98 % p. a. (die „**Variable Ausschüttungsrate**“), zahlbar vierteljährlich nachträglich jeweils am 28. Februar (in einem Schaltjahr aber am 29. Februar), 31. Mai, 31. August und 30. November. Für jeden Zahlungszeitraum, der vor dem Reset-Tag endet, werden die Ausschüttungen auf Basis der tatsächlich vergangenen Tage geteilt durch die tatsächliche Anzahl von Tagen (365 oder 366) des anwendbaren Zahlungszeitraums berechnet. Für jeden Zahlungszeitraum, der am oder nach dem Reset-Tag beginnt, werden die Ausschüttungen auf Basis der tatsächlichen Anzahl der Tage, die in einem Jahr von 360 Tagen bereits vergangen sind, berechnet.

### Festsetzung von Ausschüttungen

Es wird erwartet, dass die Ausschüttungen auf die Class-B-Preferred-Wertpapiere aus Zinszahlungen vorgenommen werden, die die Gesellschaft aus den Schuldverschreibungen oder den Zulässigen Anlagen, die die Gesellschaft gegebenenfalls hält, erhält.

**Falls die Gesellschaft für einen Zahlungszeitraum keine Ausschüttung auf die Class-B-Preferred-Wertpapiere festsetzt (und eine solche Ausschüttung nicht als festgesetzt gilt), haben die Inhaber der Class-B-Preferred-Wertpapiere keinen Anspruch auf eine Ausschüttung auf die Class-B-Preferred-Wertpapiere für diesen Zahlungszeitraum und die Gesellschaft ist nicht verpflichtet, eine Ausschüttung für diesen Zahlungszeitraum auf die Class-B-Preferred-Wertpapiere zu zahlen, unabhängig davon, ob Ausschüttungen auf die Class-B-Preferred-Wertpapiere für einen zukünftigen Zahlungszeitraum festgesetzt werden (oder als festgesetzt gelten) und gezahlt werden.**

Ausschüttungen auf die Class-B-Preferred-Wertpapiere dürfen nur an einem Zahlungstag festgesetzt und gezahlt werden, sofern:

- (i) der Gesellschaft für den Zahlungszeitraum, der an dem Tag endet, der diesem Zahlungstag unmittelbar vorhergeht, ein Betriebsgewinn zur Verfügung steht, der mindestens dem Betrag dieser Ausschüttungen entspricht, und



- (ii) der Bank für das vorhergehende Geschäftsjahr, für das ein geprüfter nicht konsolidierter Einzelabschluss vorliegt, ein Ausschüttungsfähiger Gewinn zur Verfügung steht, der mindestens der Summe aus (x) dem Betrag dieser auf die Class-B-Preferred-Wertpapiere zu zahlenden Ausschüttungen und, (y) soweit noch nicht in der Berechnung des Ausschüttungsfähigen Gewinns für das vorhergehende Geschäftsjahr berücksichtigt, den Ausschüttungen, Dividenden oder sonstigen Auszahlungen auf etwaige Gleichrangige Wertpapiere anteilmäßig auf Basis des Ausschüttungsfähigen Gewinns für das vorhergehende Geschäftsjahr entspricht.

Zur Feststellung, ob ein ausreichender Ausschüttungsfähiger Gewinn der Bank für ein Geschäftsjahr zur Verfügung steht, damit Ausschüttungen auf die Class-B-Preferred-Wertpapiere festgesetzt werden dürfen, werden vom Ausschüttungsfähigen Gewinn des betreffenden Geschäftsjahres etwaige Ausschüttungen, die bereits auf die Class-B-Preferred-Wertpapiere gezahlt worden sind, und etwaige Ausschüttungen, Dividenden oder sonstige Auszahlungen, die auf der Basis eines solchen Ausschüttungsfähigen Gewinns bereits auf Gleichrangige Wertpapiere gezahlt worden sind, abgezogen (soweit noch nicht in der Berechnung des Ausschüttungsfähigen Gewinns berücksichtigt).

**Fingierte Festsetzungen von Ausschüttungen**

Ungeachtet des Vorstehenden gilt Folgendes: Falls die Bank oder eine ihrer Tochtergesellschaften in Bezug auf Gleichrangige Wertpapiere Ausschüttungen, Dividenden oder sonstige Auszahlungen festsetzt oder zahlt (mit Ausnahme von Zahlungen von Tochtergesellschaften der Bank, die ausschließlich an die Bank oder an eine hundertprozentige Tochtergesellschaft der Bank geleistet werden), wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class-B-Preferred-Wertpapiere festgesetzt hat. Falls eine solche Ausschüttung, Dividende oder sonstige Auszahlung auf Gleichrangige Wertpapiere zum vollen festgelegten Betrag, der auf die Gleichrangigen Wertpapiere im dann laufenden Geschäftsjahr bis zum maßgeblichen Zahlungstag zahlbar ist, geleistet wurde, wird fingiert, dass die Ausschüttungen zum Festgelegten Zinssatz für das dann laufende Geschäftsjahr bis zum Zahlungstag auf die Class-B-Preferred-Wertpapiere in voller Höhe festgesetzt werden. Falls eine solche Ausschüttung, Dividende oder sonstige Auszahlung auf Gleichrangige Wertpapiere nur eine Teilzahlung des so geschuldeten Betrags darstellt, wird die als festgesetzt fingierte Ausschüttung auf die Class-B-Preferred-Wertpapiere proportional angepasst.

Ferner gilt ungeachtet des Vorstehenden Folgendes: Falls die Bank oder eine ihrer Tochtergesellschaften in Bezug auf ihre Nachrangigen Wertpapiere Nachrangige Ausschüttungen festsetzt oder zahlt, wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class-B-Preferred-Wertpapiere für einen Betrag festgesetzt hat, der davon abhängt, wie oft auf die jeweiligen Nachrangigen Wertpapiere Ausschüttungen, Dividenden oder sonstige Auszahlungen gezahlt werden.

Falls die Bank oder eine ihrer Tochtergesellschaften Gleichrangige Wertpapiere oder Nachrangige Wertpapiere einzieht, zurückkauft oder anderweitig erwirbt, außer durch Wandlung oder Umtausch in Anteile am Grundkapital der Bank und gemäß bestimmten in der englischen Sprache unter „Description of the Company Securities – Class B-Preferred Securities – Capital Payments“ dargestellten Ausnahmen, wird fingiert, dass die Gesellschaft Ausschüttungen auf die Class-B-Preferred-Wertpapiere zum Festgelegten Zinssatz in voller Höhe zu Zahlung am ersten Zahlungstag festgesetzt hat, der auf denselben Tag fällt wie der Tag, an dem eine solche Rücknahme, ein solcher Rückkauf oder ein solcher anderer Erwerb erfolgt, oder der unmittelbar auf diesen Tag folgt.

**Verbot von Ausschüttungen**

Auch wenn ein ausreichender Betriebsgewinn der Gesellschaft und ein ausreichender Ausschüttungsfähiger Gewinn der Bank zur Verfügung stehen, dürfen

an einem Zahlungstag (oder einem für die Einziehung oder Liquidation festgesetzten Tag) keine Ausschüttungen auf die Class-B-Preferred-Wertpapiere vorgenommen werden, wenn an diesem Tag eine Anweisung der Bundesanstalt für Finanzdienstleistungsaufsicht (die „BaFin“) (oder einer anderen maßgeblichen Aufsichtsbehörde) in Kraft ist, die es der Bank untersagt, Gewinnausschüttungen (einschließlich etwaiger Gewinnausschüttungen an Inhaber von Gleichrangigen Wertpapieren) vorzunehmen.

#### **Zahlung von Zusätzlichen Beträgen**

Alle Zahlungen auf die Class-B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere (einschließlich von Zahlungen im Rahmen einer Liquidation oder bei Einziehung solcher Wertpapiere) sind ohne Abzug oder Einbehalt von oder aufgrund von Quellensteuern vorzunehmen, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich vorgeschrieben. In letzterem Fall werden die Gesellschaft bzw. der Trust diejenigen zusätzlichen Beträge als zusätzliche Ausschüttungen zahlen, die erforderlich sind, damit die Nettobeträge, die den Inhabern der Class-B-Preferred-Wertpapiere bzw. der Trust-Preferred-Wertpapiere nach diesem Abzug oder Einbehalt zufließen, jeweils den Beträgen entsprechen, die sie erhalten hätten, wenn kein solcher Abzug oder Einbehalt erforderlich gewesen wäre („**Zusätzliche Beträge**“). Die Verpflichtung zur Zahlung solcher Zusätzlicher Beträge auf die Class-B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere besteht jedoch nicht:

- falls und soweit die Gesellschaft nicht in der Lage ist, solche Zusätzlichen Beträge zu zahlen, weil eine solche Zahlung den Ausschüttungsfähigen Gewinn der Bank für das vorhergehende Geschäftsjahr (nach Abzug des Betrags der Ausschüttungen auf die Class-B-Preferred-Wertpapiere oder, soweit noch nicht in der Berechnung des Ausschüttungsfähigen Gewinns berücksichtigt, etwaiger Ausschüttungen, Dividenden oder sonstiger Auszahlungen auf Gleichrangige Wertpapiere, die auf der Grundlage eines solchen Ausschüttungsfähigen Gewinns am oder vor dem Tag der Fälligkeit der Zusätzlichen Beträge bereits vom Ausschüttungsfähigen Gewinn gezahlt wurden) übersteigen würde;
- in Bezug auf Quellensteuern, die aufgrund der Tatsache zu zahlen sind, dass der Inhaber oder wirtschaftliche Eigentümer der Class-B-Preferred-Wertpapiere (mit Ausnahme des Trusts) oder der Trust-Preferred-Wertpapiere eine andere Beziehung zu einer Maßgeblichen Rechtsordnung unterhält als lediglich den Besitz der Class-B-Preferred-Wertpapiere bzw. Trust-Preferred-Wertpapiere;
- in Bezug auf Quellensteuern, wenn dieser Einbehalt oder Abzug gemäß (i) einer Richtlinie der Europäischen Union über die Besteuerung von Zinserträgen (einschließlich der beschlossenen Richtlinie vom 3. Juni 2003) erfolgt, (ii) eines internationalen Abkommens oder Übereinkommens hinsichtlich einer solchen Besteuerung erfolgt, dem die Vereinigten Staaten von Amerika, die Europäische Union oder die Bundesrepublik Deutschland angehört, oder (iii) gemäß einer Gesetzesbestimmung erfolgt, die aufgrund einer solchen Richtlinie oder Bestimmung umzusetzen bzw. aufgrund eines solchen Abkommens oder Übereinkommens erlassen wurde, ihr bzw. ihm entspricht oder eingeführt wurde, um eine solche Richtlinie oder Bestimmung bzw. einem solchen Abkommen oder Übereinkommen nachzukommen;
- in Bezug auf Quellensteuern, die aufgrund einer Steuer bezüglich Erbschaft, Spareinlagen, Vermögen, persönlichen Eigentums, Verkauf oder Übertragung oder aufgrund sonstiger Steuern zahlbar sind, die anders als durch Einbehalt von Zahlungen in Bezug auf die Class-B-Preferred-Wertpapiere oder die Trust-Preferred-Wertpapiere zahlbar sind;
- in Bezug auf Quellensteuern, deren Abzug oder Einbehalt vermieden oder vermindert werden kann, indem der Inhaber oder wirtschaftliche Eigentümer der Class-B-Preferred-Wertpapiere (mit Ausnahme des Trusts) bzw.

der Trust-Preferred-Wertpapiere gegenüber der maßgeblichen Steuerbehörde eine Erklärung seiner Nichtansässigkeit oder eines anderen Anspruchs auf Freistellung abgibt oder einer von der maßgeblichen Steuerbehörde auferlegten angemessenen Nachweis-, Dokumentations-, Offenlegungs- oder sonstigen Berichtspflicht entspricht, jedoch mit der Maßgabe, dass die in dieser Klausel dargelegte Ausnahme nicht für Nachweis-, Dokumentations-, Offenlegungs- oder sonstige Berichtspflichten gilt, sofern diese Pflichten für den Inhaber oder wirtschaftlichen Eigentümer der Class-B-Preferred-Wertpapiere bzw. der Trust-Preferred-Wertpapiere der Form, dem Verfahren oder der im Wesentlichen enthaltenen Angaben nach bedeutend belastender ist, als vergleichbare Offenlegungs- oder sonstige Berichtspflichten gemäß US-amerikanischem Steuerrecht, US-amerikanische Steuerbestimmungen oder Verwaltungsverfahren (wie z. B. die Forms 1001, W-8 und W-9 der US-amerikanischen Steuerbehörde IRS); oder

- in Bezug auf Quellensteuern, deren Abzug oder Einbehalt dadurch hätte vermieden werden können, dass der Inhaber der Class-B-Preferred-Wertpapiere oder der Trust-Preferred-Wertpapiere die jeweiligen Class-B-Preferred-Wertpapiere oder Trust-Preferred-Wertpapiere zur Zahlung innerhalb von 30 Tagen seit dem Fälligkeitstag oder der Bereitstellung der Mittel vorgelegt hätte; dies gilt nicht insoweit, als ein solcher Inhaber auf solche zusätzlichen Beträge einen Anspruch durch Vorlage solcher Class-B-Preferred-Wertpapiere oder Trust-Preferred-Wertpapiere zur Zahlung am letzten Tag einer solchen 30-Tagefrist gehabt hätte.

### **Einziehung**

Falls die Gesellschaft Class-B-Preferred-Wertpapiere einzieht, muss der Trust die Trust-Preferred-Wertpapiere einziehen. Die Class-B-Preferred-Wertpapiere können nach Wahl der Gesellschaft, ganz aber nicht teilweise, am Anfänglichen Einziehungstag oder an jedem Zahlungstag danach zum Einziehungsbetrag zuzüglich etwaiger zusätzlicher Beträge eingezogen werden.

Die Gesellschaft ist zudem berechtigt, die Class-B-Preferred-Wertpapiere jederzeit ganz, aber nicht teilweise, bei Eintritt eines Gesellschafts-Sonderkündigungsfalls (x) zum Einziehungsbetrag bei Eintritt eines Gross-up Ereignis oder (y) zum Vorzeitigen Einziehungsbetrag bei Eintritt eines anderen Gesellschafts-Sonderkündigungsfalls, jeweils zuzüglich etwaiger zusätzlicher Beträge, einzuziehen. Die Gesellschaft darf ihr Recht zur Einziehung der Class-B-Preferred-Wertpapiere nur ausüben, wenn sie:

- (i) mit einer Frist von mindestens 30 Tagen (oder einer längeren Frist, wenn dies von der zuständigen Aufsichtsbehörde verlangt wird) den Inhabern der Class-B-Preferred-Wertpapiere ihre Absicht, die Class-B-Preferred-Wertpapiere am Einziehungstag einzuziehen, bekannt gemacht hat,
- (ii) gleichzeitig von der Emittentin der Schuldverschreibungen eine Mitteilung bezüglich der Rückzahlung eines Gesamtnennbetrags von Schuldverschreibungen, der dem gesamten Liquidationsvorzugsbetrag der einzuziehenden Class-B-Preferred-Wertpapieren entspricht, erhalten hat, und
- (iii) die notwendigen regulatorischen Genehmigungen erhalten hat. Siehe Abschnitt „Description of the Company Securities – Class B-Preferred Securities – Redemption of the Class B-Preferred Securities“ in englischer Sprache.

Eine Einziehung von Class-B-Preferred-Wertpapieren gleich aus welchem Grund darf nur erfolgen, sofern am Einziehungstag:

- die Gesellschaft (aufgrund der Schuldverschreibungen, Zulässiger Anlagen oder der Nachrangigen Patronatserklärung) über ausreichende Mittel verfügt, um den Einziehungsbetrag bzw. den Vorzeitigen Einziehungsbetrag zu zahlen und einen Betrag in voller Höhe zu zahlen, der den bis zum

Einziehungstag aufgelaufenen und nicht gezahlten Ausschüttungen zuzüglich etwaiger Zusätzlicher Beträge entspricht;

- der Bank für das vorhergehende Geschäftsjahr ein Ausschüttungsfähiger Gewinn zur Verfügung steht, der mindestens der Summe aus dem Betrag der bis zum Einziehungstag angefallenen und nicht gezahlten Ausschüttungen auf die Class-B-Preferred-Wertpapiere bzw. dem Überschuss des Kompensationsbetrages über den gesamten Liquidationsvorzugsbetrag der Class-B-Preferred-Wertpapiere, jeweils zuzüglich etwaiger Zusätzlicher Beträge entspricht; und
- keine Anweisung der BaFin (oder einer anderen zuständigen Aufsichtsbehörde) in Kraft ist, die es der Bank untersagt, Gewinnausschüttungen (einschließlich etwaiger Gewinnausschüttungen an die Inhaber von Gleichrangigen Wertpapieren) vorzunehmen.

Bei Eintritt eines Trust-Sonderkündigungsfalls oder im Fall einer freiwilligen oder unfreiwilligen Auflösung, Liquidation, Abwicklung oder Beendigung des Trusts sind die Inhaber der Trust-Wertpapiere berechtigt, in proportionaler Höhe Class-B-Preferred-Wertpapiere zu erhalten, wobei im Fall einer solchen Auskehrung von Class-B-Preferred-Wertpapieren die Rechte des Inhabers des Trust-Stammanteils gegenüber den Rechten der Inhaber der Trust-Preferred-Wertpapiere nachrangig sind. Siehe Abschnitt „Description of the Trust Securities – Redemption“ in englischer Sprache.

**Die Trust-Preferred-Wertpapiere und die Class-B-Preferred-Wertpapiere haben keinen festgelegten Endfälligkeitstag und sind zu keiner Zeit nach Wahl ihrer Inhaber kündbar.**

#### **Liquidation**

Bei einer freiwilligen oder unfreiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung des Trusts sind die Inhaber der Trust-Preferred-Wertpapiere berechtigt, in proportionaler Höhe Class-B-Preferred-Wertpapiere zu erhalten. Die Inhaber der Trust-Preferred-Wertpapiere haben in Bezug auf Ausschüttungen aufgrund der Liquidation des Trusts effektiv einen Vorrang vor dem Inhaber des Trust-Stammanteils.

Bei einer Liquidation oder Auflösung der Gesellschaft, hat (i) der Inhaber des Class-A-Preferred-Wertpapiers einen Anspruch auf Erhalt der Schuldverschreibungen oder der Zulässigen Anlagen (einschließlich aller darauf aufgelaufenen und nicht gezahlten Zinsen) als seine Liquidationsausschüttung und (ii) jeder Inhaber der Class-B-Preferred-Wertpapiere einen Anspruch auf Erhalt des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere, zuzüglich der jeweils aufgelaufenen und nicht gezahlten Ausschüttungen für den laufenden Zahlungszeitraum bis zum Tag der Liquidation oder Auflösung (ausschließlich) und zuzüglich etwaiger Zusätzlicher Beträge. Die Gesellschaft geht davon aus, dass die Liquidationsausschüttung an die Inhaber der Class-B-Preferred-Wertpapiere aus den gemäß der Nachrangigen Patronatserklärung von der Bank erhaltenen Mitteln gezahlt wird. Gemäß den Bestimmungen des LLC-Vertrags und soweit nach anwendbarem Recht zulässig, wird die Gesellschaft so lange nicht aufgelöst, bis alle Verpflichtungen der Nachrangigen Patronatserklärung vollständig gemäß ihren Bedingungen erfüllt worden sind.

#### **Rang der Trust-Wertpapiere**

Die Vornahme von Ausschüttungen und sonstigen Auszahlungen auf die Trust-Wertpapiere und die Zahlung von Beträgen bei deren Einziehung erfolgen anteilig zwischen dem Trust-Stammanteil und den Trust-Preferred-Wertpapieren auf der Grundlage ihres Liquidationsvorzugs; bei Eintritt und Fortbestehen der Nichterfüllung einer Verpflichtung aus den Anfänglichen Schuldverschreibungen oder einer Verpflichtung aus der Nachrangigen Patronatserklärung werden jedoch keine Ausschüttungen oder sonstige Auszahlungen vorgenommen oder Einziehungsbeträge an den Inhaber des Trust-Stammanteils geleis-

tet, solange nicht alle aufgelaufenen und nicht gezahlten Ausschüttungen auf die Trust-Preferred-Wertpapiere und Einziehungsbeträge bezüglich der Trust-Preferred-Wertpapiere gezahlt worden sind oder für deren Zahlung gesorgt worden ist, und alle Mittel, die dem Property Trustee unmittelbar zur Verfügung stehen, werden zunächst zur Vornahme der Leistung von fälligen Ausschüttungen auf die Trust-Preferred-Wertpapiere bzw. fälligen Einziehungsbeträgen bezüglich der Trust-Preferred-Wertpapiere verwendet, bevor solche Mittel verwendet werden, um Zahlungen auf den Trust-Stammanteil vorzunehmen.

**Rang der Gesellschafts-Wertpapiere**

Bei einer freiwilligen oder unfreiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung der Gesellschaft sind die Class-B-Preferred-Wertpapiere nachrangig gegenüber dem Class-A-Preferred-Wertpapier und vorrangig gegenüber dem Gesellschafts-Stammanteil; jedoch werden Zahlungen der Bank gemäß der Nachrangigen Patronatserklärung von der Gesellschaft nur an die Inhaber der Class-B-Preferred-Wertpapiere gezahlt.

Solange Class-B-Preferred-Wertpapiere ausstehen, wird die Gesellschaft nicht ohne die Zustimmung der Inhaber von mindestens 66<sup>2</sup>/<sub>3</sub>% des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere, die gesondert als eine Klasse abstimmen (mit Ausnahme von Class-B-Preferred-Wertpapieren, die von der Bank oder einem mit ihr verbundenen Unternehmen (mit Ausnahme des Trusts) gehalten werden), (i) eine Bestimmung des LLC-Vertrags (einschließlich der Bedingungen der Class-B-Preferred-Wertpapiere) ergänzen, neu fassen, aufheben oder ändern, falls eine solche Ergänzung, Neufassung, Aufhebung oder Änderung die Rechte, Vorzugsrechte, Befugnisse oder Vorrechte der Class-B-Preferred-Wertpapiere beeinträchtigen würde; (ii) vereinbaren, eine Bestimmung der Schuldverschreibungen in einer Weise zu ändern oder zu ergänzen oder auf die Rechte aus einer Vertragsverletzung in Bezug auf die Zahlung eines Betrags aus den Schuldverschreibungen zu verzichten, die die Interessen der Inhaber der Class-B-Preferred-Wertpapiere nachhaltig beeinträchtigen würde; oder (iii) eine Verschmelzung (durch Aufnahme oder Neugründung) oder einen Zusammenschluss unter Beteiligung der Gesellschaft oder den Verkauf aller oder eines wesentlichen Teils des Vermögens der Gesellschaft durchführen, wobei eine solche Verschmelzung (durch Aufnahme oder Neugründung) oder ein solcher Zusammenschluss unter Beteiligung der Gesellschaft oder Verkauf aller oder eines wesentlichen Teils des Vermögens der Gesellschaft in Übereinstimmung mit den Bestimmungen des LLC-Vertrags stehen muss. Für eine Beschreibung dieser Bestimmungen des LLC-Vertrags siehe Abschnitt „Description of the Company Securities – Mergers, Consolidation and Sales“ in englischer Sprache.

**Weitere Emissionen**

Die Gesellschaft wird nicht ohne Zustimmung aller Inhaber von Class-B-Preferred-Wertpapieren (ohne Berücksichtigung von Class-B-Preferred-Wertpapieren, die von der Bank oder einem ihrer verbundenen Unternehmen gehalten werden) weitere Wertpapiere ausgeben, die gegenüber den Class-B-Preferred-Wertpapieren in Bezug auf periodische Ausschüttungsrechte oder Rechte bei Liquidation oder Auflösung der Gesellschaft vorrangig oder mit diesen gleichrangig sind. Die Gesellschaft kann jedoch von Zeit zu Zeit ohne die Zustimmung der Inhaber der Class-B-Preferred-Wertpapiere weitere Class-B-Preferred-Wertpapiere mit identischen Bedingungen (bzw. in allen Punkten identischen Bedingungen bis auf den Ausgabebetrag, den Tag, ab dem Ausschüttungen auf die Class-B-Preferred-Wertpapiere auflaufen, den Ausgabepreis und andere Abweichungen, soweit nach anwendbarem Recht notwendig) in einer Weise ausgeben, dass diese Class-B-Preferred-Wertpapiere eine einheitliche Serie bilden.

**Durchsetzungsrechte**

Bei Eintritt eines Ereignisses, das zur Liquidation oder Auflösung der Gesellschaft führt, oder (i) wenn die Gesellschaft Ausschüttungen (zuzüglich etwaiger darauf bezogener Zusätzlicher Beträge) auf die Class-B-Preferred-Wertpapiere



zum festgelegten Zinssatz nicht in voller Höhe zur Fälligkeit von zwei aufeinanderfolgenden Zahlungszeiträumen leistet oder (ii) dem Fortbestehen der Nichterfüllung einer Verpflichtung der Bank aus der Nachrangigen Patronatserklärung mehr als 60 Tage nach dem Zeitpunkt, zu dem diese Nichterfüllung der Gesellschaft vom Property Trustee oder von einem Inhaber der Class-B-Preferred-Wertpapiere oder von einem Inhaber der Trust-Preferred-Wertpapiere angezeigt wurde, sind die Inhaber einer Mehrheit des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere berechtigt, einen Unabhängigen Enforcement Director zu ernennen. Ein Unabhängiger Enforcement Director wird sein Amt niederlegen, sobald nach alleinigem Ermessen des Unabhängigen Enforcement Director: (i) die Ausschüttungen auf die Class-B-Preferred-Wertpapiere (zuzüglich etwaiger darauf bezogener zusätzlicher Beträge) zum festgelegten Zinssatz in voller Höhe für zwei aufeinanderfolgende Zahlungszeiträume von der Gesellschaft gezahlt wurden und (ii) die Bank alle ihre Verpflichtungen aus der Nachrangigen Patronatserklärung erfüllt.

Bei Eintritt eines Durchsetzungs-Ereignisses ist der Property Trustee berechtigt, bestimmte Rechte der Inhaber der Class-B-Preferred-Wertpapiere durchzusetzen. Falls der Property Trustee diese Rechte aus den Class-B-Preferred-Wertpapieren nicht durchsetzt, ist der eingetragene Inhaber der Trust-Preferred-Wertpapiere, also die Gemeinsame Verwahrstelle, nicht aber ein Anleger der Trust-Preferred-Wertpapiere, berechtigt, rechtliche Schritte unmittelbar gegen die Gesellschaft einzuleiten, um die Rechte des Property Trustee aus den Class-B-Preferred-Wertpapieren durchzusetzen, ohne erst rechtliche Schritte gegen den Property Trustee, den Trust oder sonstige Personen oder Unternehmen einleiten zu müssen. Siehe Abschnitt „Description of the Trust Securities – Enforcement Events“ in englischer Sprache.

**Stimmrechte**

Außer soweit ausdrücklich gemäß anwendbarem Recht vorgeschrieben oder im Trust-Vertrag oder LLC-Vertrag bestimmt, sind die Inhaber der Trust-Preferred-Wertpapiere in Angelegenheiten des Trusts oder der Gesellschaft nicht stimmberechtigt. Solange der Trust Class-B-Preferred-Wertpapiere hält, sind die Inhaber der Trust-Preferred-Wertpapiere berechtigt, den Property Trustee anzuweisen, die mit den Class-B-Preferred-Wertpapieren verbundenen Stimmrechte auszuüben. Die Inhaber der Trust-Preferred-Wertpapiere können durch schriftliche Mitteilung an den Property Trustee und im Einklang mit anwendbarem Recht auf diese Stimmrechte verzichten. Für weitere Informationen siehe Abschnitt „Description of the Trust Securities – Voting and Enforcement Rights“ in englischer Sprache.

Außer soweit ausdrücklich gemäß anwendbarem Recht vorgeschrieben oder im LLC-Vertrag bestimmt, haben die Class-B-Preferred-Wertpapiere keine Stimmrechte. Für weitere Informationen siehe Abschnitt „Description of the Company Securities – Class B-Preferred Securities – Voting and Enforcement Rights“ in englischer Sprache.

**Notierung**

Die Zulassung der Trust-Preferred-Wertpapiere zur Luxemburger Wertpapierbörse ist beantragt worden.

**Clearing und Abwicklung**

Die Trust-Preferred-Wertpapiere werden am oder um den 9. März 2007 bei der Gemeinsamen Verwahrstelle eingeliefert. Die Trust-Preferred-Wertpapiere werden Anlegern gegen Zahlung am zweiten Tag nach dem Valutatag durch Buchung gutgeschrieben werden. Die Zahlung und Gutschrift erfolgen über die Stellen von Euroclear und Clearstream.

**Hauptzahlstelle**

Deutsche Bank Aktiengesellschaft, Frankfurt am Main

**Luxemburger Zahlstelle**

Deutsche Bank Luxembourg S.A.

<b>Berechnungsstelle</b>	Deutsche Bank Aktiengesellschaft, Frankfurt am Main
<b>Quotierungsstelle</b>	Deutsche Bank AG, London Branch
<b>Bekanntmachungen</b>	Solange Trust-Preferred-Wertpapiere an der Luxemburger Wertpapierbörse notiert sind, werden alle Bekanntmachungen bezüglich der Trust-Preferred-Wertpapiere in einer Tageszeitung mit allgemeiner Auflage in Luxemburg veröffentlicht.
<b>Anwendbares Recht</b>	Der LLC-Vertrag, einschließlich der Bedingungen des Class-A-Preferred-Wertpapiers und der Class-B-Preferred-Wertpapiere, und der Trust-Vertrag, einschließlich der Bedingungen der Trust-Wertpapiere, unterliegen dem Recht des Staates Delaware. Die Nachrangige Patronatserklärung unterliegt dem Recht der Bundesrepublik Deutschland.

#### **Zusammenfassung der Bedingungen des Class-A-Preferred-Wertpapiers**

<b>Class-A-Preferred-Wertpapier</b>	Die Gesellschaft erwartet, dass das Class-A-Preferred-Wertpapier nur insoweit Ausschüttungen erhält, als (i) Ausschüttungen auf die Class-B-Preferred-Wertpapiere an einem Zahlungstag in voller Höhe nicht gezahlt werden dürfen, da kein ausreichender Ausschüttungsfähiger Gewinn der Bank vorhanden ist oder an diesem Tag eine Anweisung der BaFin (oder einer anderen zuständigen Aufsichtsbehörde) in Kraft ist, die es der Bank untersagt, Gewinnausschüttungen vorzunehmen (einschließlich Gewinnausschüttungen an etwaige Inhaber von Gleichrangigen Wertpapieren), und (ii) die Gesellschaft über einen ausreichenden Betriebsgewinn verfügt.
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#### **Zusammenfassung der Bedingungen des Gesellschafts-Stammanteils**

<b>Gesellschafts-Stammanteil</b>	Ausschüttungen auf den Gesellschafts-Stammanteil werden nur erklärt und ausgezahlt, wenn alle etwaigen Ausschüttungen auf die Class-B-Preferred-Wertpapiere in Bezug auf den anwendbaren Zahlungszeitraum erklärt und ausgezahlt worden sind.
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#### **Zusammenfassung der Bedingungen der Anfänglichen Schuldverschreibungen**

<b>Emittent</b>	Bayerische Landesbank.
<b>Fälligkeit</b>	31. Mai 2037.
<b>Nennbetrag</b>	US-\$ 850.027.000, was dem Betrag der Bruttoerlöse aus dem Angebot und dem Verkauf der Trust-Wertpapiere und aus der entsprechenden Ausgabe von Class-B-Preferred-Wertpapieren zuzüglich der Gesamtbeträge, die von der Bank gegen Ausgabe des Class-A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils eingebracht werden (in der von Zeit zu Zeit durch Rückzahlungen verringerten Höhe, der „ <b>Nennbetrag</b> “) entspricht.
<b>Zinszahlungen</b>	Die Anfänglichen Schuldverschreibungen werden auf ihren Nennbetrag verzinst, und zwar (i) für jeden vor dem Reset-Tag endenden Zinszahlungszeitraum zur Festen Ausschüttungsrate, zahlbar jährlich nachträglich an jedem Zahlungstag der Festen Ausschüttungsrate und (ii) für jeden am oder nach dem Reset-Tag beginnenden Zinszahlungszeitraum zur Variablen Ausschüttungsrate, zahlbar nachträglich vierteljährlich an jedem Zahlungstag der Variablen Ausschüttungsrate. Für jeden Zinszahlungszeitraum, der vor dem Reset-Tag endet, werden die Zinsen auf Basis der Anzahl der tatsächlich abgelaufenen Tage geteilt durch die Anzahl der tatsächlichen Tage (365 oder 366) des

betreffenden Zinszahlungszeitraums berechnet. Für jeden Zinszahlungszeitraum, der am oder nach dem Reset-Tag beginnt, werden die Zinsen auf Basis der Anzahl der tatsächlich abgelaufenen Tage eines 360 Tage umfassenden Jahres berechnet.

Der auf die Anfänglichen Schuldverschreibungen zahlbare Zinssatz wird mindestens dem Zinssatz entsprechen, mit dem Ausschüttungen auf die Class-B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere auflaufen werden.

#### **Zahlung Zusätzlicher Beträge**

Zinszahlungen auf die Anfänglichen Schuldverschreibungen und deren Rückzahlung werden frei von und ohne Abzug oder Einbehalt aufgrund von Quellensteuern, die in der Bundesrepublik Deutschland oder einer ihrer politischen Untergliederungen oder einer sonstigen Rechtsordnung, von der aus eine solche Zahlung erfolgt, auferlegt werden, vorgenommen, es sei denn, ein solcher Abzug oder Einbehalt ist gesetzlich erforderlich. In diesem Fall wird die Bank als zusätzliche Zinsen zusätzliche Beträge („**Zusätzliche Zinsbeträge**“) zahlen, die erforderlich sind, damit die Nettobeträge, die die Gesellschaft nach diesem Abzug oder Einbehalt auf die Anfänglichen Schuldverschreibungen erhält, jeweils den Beträgen entsprechen, die sie erhalten hätte, wenn kein solcher Abzug oder Einbehalt aufgrund von Quellensteuern erforderlich gewesen wäre. Solche Zusätzlichen Zinsbeträge sind von der Bank (oder der Bank als Garantgeber) jedoch nicht zu zahlen:

- (i) in Bezug auf Quellensteuern, die aufgrund der Tatsache zu zahlen sind, dass der Inhaber der Anfänglichen Schuldverschreibungen eine andere Beziehung zu einer Maßgeblichen Rechtsordnung unterhält als lediglich den Besitz der Anfänglichen Schuldverschreibungen;
- (ii) in Bezug auf Quellensteuern, wenn dieser Einbehalt oder Abzug (i) gemäß einer Richtlinie der Europäischen Union über die Besteuerung von Zinserträgen (einschließlich der beschlossenen Richtlinie vom 3. Juni 2003) erfolgt, (ii) gemäß eines internationalen Abkommens oder Übereinkommens hinsichtlich einer solchen Besteuerung erfolgt, dem die Vereinigten Staaten von Amerika, die Europäische Union oder die Bundesrepublik Deutschland angehört, oder (iii) gemäß einer Rechtsbestimmung erfolgt, die aufgrund einer solchen Richtlinie oder Bestimmung bzw. aufgrund eines solchen Abkommens oder Übereinkommens erlassen wurde, ihr bzw. ihm entspricht oder eingeführt wurde, um eine solche Richtlinie oder Bestimmung umzusetzen bzw. einem solchen Abkommen oder Übereinkommen nachzukommen; oder
- (iii) in Bezug auf Quellensteuern, die aufgrund einer Steuer bezüglich Erbschaft, Sparkassen, persönlichen Eigentums, Verkauf oder Übertragung oder aufgrund sonstiger Steuern zu zahlen sind, die anders als durch Einbehalt von Zahlungen in Bezug auf die Anfänglichen Schuldverschreibungen zahlbar sind.

#### **Rang**

Die Anfänglichen Schuldverschreibungen begründen unmittelbare, unbedingte, unbesicherte und nachrangige Verpflichtungen der Bank. Im Fall der Auflösung, der Liquidation oder eines Insolvenzverfahrens über das Vermögen der Bank, oder eines Vergleichs oder eines anderen der Abwendung des Insolvenzverfahrens der Bank dienenden Verfahrens, gehen diese Verbindlichkeiten den Ansprüchen aller nicht nachrangiger Gläubiger der Bank im Rang nach, so dass Zahlungen auf diese Verbindlichkeiten solange nicht erfolgen, wie die Ansprüche aller nicht nachrangigen Gläubiger der Bank nicht voll befriedigt sind.

#### **Rückzahlung**

Die Anfänglichen Schuldverschreibungen können außer bei Eintritt eines Gesellschafts-Sonderkündigungsfalls (und der Einziehung der Class-B-Preferred-Wertpapiere) nicht vor dem 31. Mai 2017 (der „**Anfängliche Schuldverschreibungs-Einziehungstag**“) vorzeitig zurückgezahlt werden. Die Rückzah-



lung erfolgt zu einem Einziehungsbetrag, der (x) bei Eintritt eines Gross-up Ereignisses dem Nennbetrag der Anfänglichen Schuldverschreibungen oder (y) bei Eintritt eines anderen Gesellschafts-Sonderkündigungsfalls entweder (A) dem Nennbetrag der Anfänglichen Schuldverschreibung oder (B) dem Schuldverschreibungs-Kompensationsbetrag – je nachdem, welcher Betrag höher ist – entspricht, jeweils zuzüglich aufgelaufener und nicht gezahlter Zinsen und etwaiger Zusätzlicher Zinsbeträge. Die Ausübung dieses Einziehungsrechts seitens der Bank ist bedingt durch die Ersetzung des einzuziehenden Nennbetrags durch Einzahlung anderen, mindestens gleichwertigen haftenden Eigenkapitals im Sinne des deutschen Kreditwesengesetzes oder die vorherige Genehmigung dieser vorzeitigen Einziehung durch die BaFin. Die Anfänglichen Schuldverschreibungen können, außer wie unter „– Ersetzung“ unten dargestellt, aus keinem Grund vor Fälligkeit (außer bei Eintritt eines Gesellschafts-Sonderkündigungsfalls) zurückgezahlt werden, soweit die Gesellschaft nicht das Recht hat und bekannt gemacht hat, dass sie Class-B-Preferred-Wertpapiere zu einem Betrag, der dem Nennbetrag der Anfänglichen Schuldverschreibungen entspricht, zuzüglich aufgelaufener und nicht gezahlter Zinsen bis zum Einziehungstag (ausschließlich) und etwaiger Zusätzlicher Beträge, zurückzahlen wird. Siehe Abschnitt „Description of the Initial Debt Securities“ in englischer Sprache.

**Ersetzung**

Die Bank ist jederzeit berechtigt, (i) als Schuldner der Schuldverschreibungen eine Qualifizierte Tochtergesellschaft einzusetzen oder (ii) die Schuldverschreibungen gegen von der Bank (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika)) oder von einer Qualifizierten Tochtergesellschaft (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika)) ausgegebene Ersatz- Schuldverschreibungen, deren Bedingungen jeweils mit denen der Anfänglichen Schuldverschreibungen identisch sind, zu ersetzen; vorausgesetzt jedoch, dass (a) diese Ersetzung oder dieser Austausch nicht zu einem Gesellschafts-Sonderkündigungsfall führt; (b) die Bank (falls sie nicht selbst der Ersatzschuldner ist) die Verbindlichkeiten einer Qualifizierten Tochtergesellschaft auf nachrangiger Basis garantiert; und (c) bei einer solchen Ersetzung die Qualifizierte Tochtergesellschaft weder nach den Gesetzen der Vereinigten Staaten von Amerika noch eines ihrer Bundesstaaten errichtet worden ist.

**Wiederanlage**

Der LLC-Vertrag bestimmt, dass nach dem Endfälligkeitstag, soweit die Class-B-Preferred-Wertpapiere nicht eingezogen worden sind, die Gesellschaft in Schuldverschreibungen einer oder mehrerer Qualifizierter Tochtergesellschaften, die durch die Bank unbedingt auf nachrangiger Basis garantiert werden, oder in US-Staatsanleihen (zusammen „**Zulässige Anlagen**“) anlegen wird; dies gilt jedoch nur, wenn eine solche Anlage nicht zu einem Gesellschafts-Sonderkündigungsfall führt.

**Anwendbares Recht**

Die Anfänglichen Schuldverschreibungen unterliegen dem Recht der Bundesrepublik Deutschland.

## ZUSAMMENFASSUNG DER RISIKOFAKTOREN

### MIT DEM ANGEBOT VERBUNDENE RISIKOFAKTOREN

#### Risiken in Bezug auf die Finanzlage der Bank und ihrer verbundenen Unternehmen

Es besteht keine Gewähr, dass der Bank ein ausreichender Ausschüttungsfähiger Gewinn zur Verfügung steht, so dass die Gesellschaft (und der Trust) Ausschüttungen zum Festgesetzten Zinssatz in voller Höhe festsetzen und auszahlen können.

#### Keine garantierten Ausschüttungen

Die Festsetzung der Ausschüttungen durch die Gesellschaft auf die Class-B-Preferred-Wertpapiere (und dementsprechend die Zahlung der Ausschüttungen auf die Trust-Preferred-Wertpapiere durch den Trust) wird durch die Bedingungen des LLC-Vertrags eingeschränkt. Es liegt im Ermessen des Board of Directors der Gesellschaft, Ausschüttungen festzusetzen und vorzunehmen, außer im Fall von fingierten Festsetzungen, die zwingend vorgeschrieben sind.

Selbst wenn der Bank ein ausreichender Ausschüttungsfähiger Gewinn und der Gesellschaft ein ausreichender Betriebsgewinn zur Verfügung steht, darf die Gesellschaft an einem Zahlungstag keine Ausschüttungen auf die Class-B-Preferred-Wertpapiere vornehmen, wenn an diesem Tag eine Anweisung der BaFin oder einer anderen maßgeblichen Aufsichtsbehörde in Kraft ist, die es der Bank untersagt, Gewinnausschüttungen vorzunehmen (einschließlich etwaiger Gewinnausschüttungen an Inhaber von Gleichrangigen Wertpapieren). Soweit die Gesellschaft an einem Zahlungstag nicht berechtigt ist, Ausschüttungen auf die Class-B-Preferred-Wertpapiere vorzunehmen, so setzt dies den Betrag herab, welcher dem Trust für die Leistung von Ausschüttungen auf die Trust-Preferred-Wertpapiere zur Verfügung steht.

#### Ausschüttungen ohne Nachzahlungsrecht

Das Recht der Inhaber der Trust-Preferred-Wertpapiere auf den Erhalt von Ausschüttungen beinhaltet kein Nachzahlungsrecht. Wenn dem Trust für einen Zahlungszeitraum keine ausreichenden Mittel für die Zahlung einer Ausschüttung zur Verfügung stehen, haben die Inhaber der Trust-Preferred-Wertpapiere dementsprechend kein Recht auf Erhalt einer Ausschüttung für diesen Zahlungszeitraum, und zwar unabhängig davon, ob für einen späteren Zahlungszeitraum Ausschüttungen vorgenommen werden oder nicht.

#### Kein Stimmrecht, Beziehungen zur Bank und ihren verbundenen Unternehmen

Die Bank kontrolliert die Gesellschaft durch ihre Befugnis bzw. die Befugnis einer BayernLB-Konzerngesellschaft, als Inhaber des Gesellschafts-Stammanteils die Mehrheit des Board of Directors zu wählen. Der Trust hat grundsätzlich, soweit er der Inhaber der Class-B-Preferred-Wertpapiere ist, kein Stimmrecht für die Wahl der Mitglieder des Board of Directors. Die Gesellschaft geht davon aus, dass es sich bei allen anfänglichen und zukünftigen Direktoren und leitenden Angestellten der Gesellschaft sowie den drei Regular Trustees des Trust um Personen handeln wird, deren Dienste nach Vereinbarungen der Bank mit der Deutsche International Corporate Services (Delaware) LLC bzw. der Deutsche Bank Trust Company Delaware erbracht werden, bis sie vom Inhaber des Gesellschafts-Stammanteils bzw. vom Inhaber des Trust-Stammanteils entlassen oder ersetzt werden.

#### Risiken einer Sonderkündigung

*Einziehung bei Eintritt eines Gesellschafts-Sonderkündigungsfalls.* Bei Eintritt eines Gesellschafts-Sonderkündigungsfalls können die Class-B-Preferred-Wertpapiere (und dementsprechend auch die Trust-Preferred-Wertpapiere) jederzeit nach Wahl der Gesellschaft ganz, jedoch nicht teilweise, eingezogen werden. Ein Gesellschafts-Sonderkündigungsfall tritt ein, wenn aufgrund von Gesetzesände-

rungen: (i) Änderungen des Steuerstatus der Gesellschaft oder des Trust eintreten, (ii) Zusätzliche Beträge bzw. Zusätzliche Zinsbeträge auf die Ausschüttungen auf die Class-B-Preferred-Wertpapiere, die Trust-Wertpapiere oder die Schuldverschreibungen zahlbar werden, (iii) die Bank berechtigt ist, weder die Class-B-Preferred-Wertpapiere noch die Trust-Preferred-Wertpapiere auf einer konsolidierten Grundlage als Kernkapital zu behandeln oder (iv) die Gesellschaft als eine „Investment Company“ im Sinne des 1940 Act angesehen wird.

*Liquidation des Trust bei Eintritt eines Trust-Sonderkündigungsfalls.* Bei Eintritt eines Steuerrechtlichen Ereignisses, eines Gross-up Ereignisses oder eines Investment Company Act Ereignisses, jeweils nur in Bezug auf den Trust, wird der Trust aufgelöst und liquidiert. Nach einer derartigen Auflösung und Liquidation des Trust würde jeder Inhaber von Trust-Preferred-Wertpapieren als Liquidationsausschüttung eine entsprechende Anzahl von Class-B-Preferred-Wertpapieren erhalten. Nach einer derartigen Ausschüttung werden die Class-B-Preferred-Wertpapiere möglicherweise nicht an einer Wertpapierbörse notiert und können nicht über Euroclear oder Clearstream gehandelt werden. Dementsprechend und aufgrund einer etwaigen Steuerschuld, die den Inhabern der Class-B-Preferred-Wertpapiere durch den Erhalt dieser Wertpapiere aus der Auflösung und Liquidation des Trust entstehen könnte, werden die Class-B-Preferred-Wertpapiere möglicherweise mit einem Abschlag auf den Preis der Trust-Preferred-Wertpapiere, gegen die sie eingetauscht wurden, gehandelt.

#### **Die Nachrangige Patronatserklärung stellt keine Garantie dar, dass Ausschüttungen vorgenommen werden**

Die Bank und die Gesellschaft haben die Nachrangige Patronatserklärung zugunsten der Gesellschaft und der Inhaber der Class-B-Preferred-Wertpapiere abgeschlossen. Die Nachrangige Patronatserklärung stellt jedoch keine Garantie der Bank dar, dass die Gesellschaft berechtigt sein wird, für einen bestimmten Zahlungszeitraum Ausschüttungen festzusetzen und vorzunehmen. Die Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung sind allen Verbindlichkeiten der Bank nachrangig und stehen im gleichen Rang mit Beträgen, die an Inhaber der höchstrangigen gegebenenfalls ausgegebenen Vorzugsaktien der Bank zu zahlen sind, die im Hinblick auf Liquidationsrechte vor dem Grundkapital der Bank Vorrang haben, und mit anderen Instrumenten, die als Kernkapital anzusehen sind.

#### **Kein festgelegter Einziehungstag**

Es gibt keinen festgelegten Einziehungstag für die Class-B-Preferred-Wertpapiere und folglich auch nicht für die Trust-Preferred-Wertpapiere. Weder die Class-B-Wertpapiere noch die Trust-Preferred-Wertpapiere können nach Wahl des Inhabers dieser Wertpapiere eingezogen werden. Auch wenn die Class-B-Preferred-Wertpapiere und die Trust-Preferred-Wertpapiere am Anfänglichen Einziehungstag eingezogen werden können, besteht keine Gewähr, dass die Gesellschaft beschließen wird, die Class-B-Preferred-Wertpapiere am Anfänglichen Einziehungstag einzuziehen.

Ob die Gesellschaft sich entscheiden wird, die Class-B-Preferred-Wertpapiere einzuziehen, hängt von einer Reihe von Faktoren ab, auf die die Bank und die Gesellschaft zumeist keinen Einfluss haben.

#### **Aufsichtsrechtliche Einschränkungen des Geschäftsbetriebs der Gesellschaft**

Die Gesellschaft ist eine Tochtergesellschaft der Bank. Die deutschen Bankaufsichtsbehörden könnten in Zukunft Entscheidungen im Hinblick auf die Bank treffen, die sich ungünstig auf die Fähigkeit der Gesellschaft auswirken könnten, Ausschüttungen auf die Class-B-Preferred-Wertpapiere vorzunehmen.

#### **Kein bestehender öffentlicher Markt**

Es bestand bisher kein öffentlicher Markt für die Trust-Preferred-Wertpapiere. Die Zulassung der Trust-Preferred-Wertpapiere zum Handel und zur Notierung an der Luxemburger Wertpapierbörse wurde

beantragt. Die Trust-Preferred-Wertpapiere werden möglicherweise zu einem niedrigeren Preis gehandelt, als der Anleger für den Erwerb der Trust-Preferred-Wertpapiere gezahlt hat. Es besteht keine Gewähr, dass sich ein aktiver Sekundärmarkt für die Trust-Preferred-Wertpapiere entwickeln wird. Es ist davon auszugehen, dass die Liquidität und der Kurs für die Trust-Preferred-Wertpapiere mit den Änderungen der Markt- und Wirtschaftsbedingungen, der Finanzlage und den Aussichten der Bank sowie anderen Faktoren, die den Sekundärmarktkurs der Wertpapiere allgemein beeinflussen, schwanken werden. Diese Schwankungen können die Liquidität und den Kurs für die Trust-Preferred-Wertpapiere erheblich beeinflussen.

#### **RISIKOFAKTOREN IN BEZUG AUF DEN TRUST**

Der Trust ist eine Finanzierungsgesellschaft des BayernLB-Konzerns, die einzig zu dem Zweck errichtet wurde, die Trust-Preferred-Wertpapiere und den Trust-Stammanteil auszugeben und die Erlöse aus der Emission in den Class-B-Preferred-Wertpapieren anzulegen, die voraussichtlich die einzigen Vermögenswerte des Trust darstellen werden. Sollte die Gesellschaft eine Zahlung gemäß den Class-B-Preferred-Wertpapieren nicht leisten und sollte die Bank eine Zahlung gemäß der Nachrangigen Patronatserklärung nicht leisten, so wird der Trust nicht in der Lage sein, seine Zahlungsverpflichtungen gemäß den Trust-Preferred-Wertpapieren zu erfüllen.

#### **RISIKOFAKTOREN IN BEZUG AUF DIE GESELLSCHAFT**

Die Gesellschaft ist eine Finanzierungsgesellschaft des BayernLB-Konzerns, die einzig zu dem Zweck errichtet wurde, die Gesellschafts-Wertpapiere auszugeben und die Erlöse aus der Emission der Class-B-Preferred-Wertpapiere in den Anfänglichen Schuldverschreibungen anzulegen, die voraussichtlich die einzigen Vermögenswerte der Gesellschaft darstellen werden. Sollte die Bank eine Zahlung gemäß den Schuldverschreibungen nicht leisten, so wird die Gesellschaft nicht in der Lage sein, ihre Zahlungsverpflichtungen gemäß den Class-B-Preferred-Wertpapieren zu erfüllen und wenn wiederum keine ausreichenden Zahlungen von der Bank gemäß der Nachrangigen Patronatserklärung geleistet werden, wird der Trust nicht in der Lage sein, seine Zahlungsverpflichtungen gemäß den Trust-Preferred-Wertpapieren zu erfüllen.

#### **RISIKOFAKTOREN IN BEZUG AUF DIE BANK**

Wie auch andere Marktteilnehmer ist die Bank im Rahmen ihrer Geschäftstätigkeit bestimmten Risiken ausgesetzt, deren Realisierung im schlimmsten Fall dazu führen könnte, dass die Bank ihren Verpflichtungen im Rahmen von Emissionen von Wertpapieren nicht oder nicht fristgerecht nachkommen kann.

Die Bank ist vor allem Adressausfallrisiken, Risiken aus Beteiligungen, Länder- und Marktpreisrisiken, Liquiditätsrisiken sowie operationellen Risiken (OpRisk) ausgesetzt.

Den gesetzlichen Rahmen für die Risikosteuerung bilden die „Mindestanforderungen an das Risikomanagement“ (MaRisk) der BaFin.

Die Bank überwacht und steuert ihre Risiken geschäftsfeldübergreifend nach einheitlichen Verfahren mit dem Ziel, ihr Risiko- und Ertragsprofil über alle Risikoarten zu optimieren. Identifikation, Messung, Aggregation und Steuerung über alle Risiken basieren dabei auf einem Rahmenwerk von Risikogrundsätzen sowie entsprechenden Organisationsstrukturen und Prozessen. Es besteht jedoch keine Gewähr, dass die Verfahren zur Identifizierung, Analyse, Bewertung, Steuerung und Überwachung der Risiken sich in der Zukunft als ausreichend und angemessen erweisen werden.

## ZUSAMMENFASSUNG ZU DEN UNTERNEHMEN DER BAYERNLB

### Zusammenfassung zum BayernLB-Konzern

#### *Allgemeine Informationen*

Die Firma der Bank lautet Bayerische Landesbank, der kommerzielle Name BayernLB. Der eingetragene Sitz der Bank ist München. Der Hauptgeschäftssitz ist in der Brienner Strasse 18, D-80333 München (Tel.: (+49)(0)89-2171-0).

Die Bank wurde nach dem Gesetz über die Errichtung der Bayerischen Landesbank Girozentrale vom 27. Juni 1972 auf unbestimmte Zeit gegründet. Sie ist eine Anstalt des öffentlichen Rechts, die im Handelsregister des Amtsgerichts München unter der Nummer HRA 76030 eingetragen ist. Indirekte Gesellschafter der Bank sind der Freistaat Bayern und der Sparkassenverband Bayern, wobei jeder der beiden Anteilseigner jeweils 50% an der Bank hält. Das Gesetz über die Bayerische Landesbank und die Satzung der Bayerischen Landesbank erteilen der Bank die Befugnis, sämtliche Bank- und Finanzdienstleistungen anzubieten.

Die Bank hat Niederlassungen in London, Paris, Mailand, New York, Hong Kong, Luxemburg und Shanghai sowie Repräsentanzen in Montreal, Tokio and Beijing. Die wichtigsten Beteiligungen, die für den Konzern auch strategische Bedeutung haben, sind die DKB Deutsche Kreditbank Aktiengesellschaft, Berlin, Landesbank Saar, Saarbrücken (SaarLB), MKB Bank Rt. (MKB) in Budapest, Banque LB Lux S.A., Luxemburg und die LB(Swiss) Privatbank AG, Zürich. Die Bank ist Mitglied des Deutschen Sparkassen- und Giroverbands und deckt mit weit über 400 regionalen Universalbanken den deutschen Markt des Privatkundengeschäfts und die gesamte deutsche Wirtschaft mit einem enghemigten Filialnetz ab.

#### *Geschäftsüberblick: Wichtige Märkte und Haupttätigkeitsbereiche*

Die Bank positioniert sich als eine auf die Kernregionen ausgerichtete Bank, die im engen Verbund mit den bayerischen Sparkassen und den übrigen Partnern der Sparkassen-Finanzgruppe agiert. Sie ist die Zentralbank der bayerischen Sparkassen und integraler Bestandteil der Sparkassen-Finanzgruppe Bayern. Die Bank ist Dienstleister für die Partnerinstitute der Sparkassen-Finanzgruppe Bayern und agiert als deren Netzwerkbank. Ferner ist die Bank Hausbank des Freistaates Bayern, unterstützt die bayerischen Kommunen bei der Erfüllung ihrer Aufgaben und Pflichten und betreut aktiv Regierungen auf Bundes- und Landesebene, Finanzinstitute, mittelständische und Großunternehmen sowie Immobilienkunden. Die Bank fungiert als Federführer von Wertpapieremissionen und Entwicklungsprogrammen des Freistaates Bayern und übernimmt dessen Anlageverwaltung.

Die Geschäftstätigkeit der Bank umfasst unter anderem das Kreditgeschäft, insbesondere das Ausreichen langfristiger Kredite (Kredite mit einer ursprünglichen Laufzeit von vier oder mehr Jahren, sowohl für Privat- als auch für Firmenkunden, in Euro und diversen anderen Währungen) sowie das Handels- und Emissionsgeschäft und sonstige wertpapierbezogene Tätigkeiten, einschließlich der Investition in, der Zeichnung von und dem Handel mit Wertpapieren für eigene und fremde Rechnung, Vermögensmanagement, Beratungstätigkeiten und Leistungen im Bereich von Fremdwährungsgeschäften. Die Bank bietet ein breites Spektrum an Dienstleistungen im Bereich Portfoliomanagement, Investment Banking und Depotverwaltung für Privat- sowie institutionelle und Firmenkunden im In- und Ausland an. Die Bank ist Daueremittent von Hypotheken- und öffentlichen Pfandbriefen sowie mittelfristiger und langfristiger ungesicherter Anleihen. Zur Ergänzung seiner Tätigkeit im Wertpapierhandel und seines breit gefächerten Angebots an Dienstleistungen im Bereich Investment Banking in der Bundesrepublik Deutschland und im Ausland bietet der BayernLB-Konzern eine Vielzahl hochwertiger Research- und Beratungsdienstleistungen, technischer Marktanalysen und regelmäßiger Berichte über die Marktentwicklung europäischer Emittenten an.

Die Geschäftsfelder der Bank umfassen die Geschäftsfelder Unternehmen, Immobilien, Financial Markets, Financial Office, Finanzinstitutionen und Öffentliche Hand, Sparkassen und Markt Bayern, die rechtlich unselbständigen Anstalten Bayerische Landesbausparkasse (LBS) und Bayerische Landesbodenkreditanstalt (BayernLabo), Corporate Services und Risk Office.



Auch durch Kooperationen mit namhaften internationalen Banken ergänzt die Bank ihre weltweite Präsenz und nutzt diese für ein umfassendes Angebot an Produkten und Dienstleistungen für ihre Kunden. Die ungarische Tochtergesellschaft MKB Bank Rt. (MKB) ist ein wichtiger Faktor im Hinblick auf den Fortschritt bei der weiteren Umsetzung der Osteuropa-Strategie, welche die Bank im Jahr 2004 beschlossen hat. Schwerpunkte der neu gefassten Asien-Strategie der Bank aus dem Jahr 2005 sind die Unterstützung deutscher Unternehmen, die in Asien tätig sind und die Ausweitung und Akquise des Geschäfts mit großen institutionellen Kunden mit einem örtlichen Schwerpunkt auf Asien. Die Bank beabsichtigt, ihr Privatkundengeschäft zu stärken.

### **Zusammenfassung in Bezug auf die Gesellschaft**

Die Gesellschaft ist eine Gesellschaft mit beschränkter Haftung nach dem LLC Act, die am 25. September 2006 gemäß einem anfänglichen *Limited Liability Company Agreement* (in der nachfolgend geänderten Fassung der „**LLC-Vertrag**“) und der Einreichung eines *Certificate of Formation* der Gesellschaft beim *Secretary of State* des Bundesstaates Delaware gegründet wurde. Der Hauptgeschäftssitz der Gesellschaft befindet sich in c/o Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, Vereinigte Staaten von Amerika.

Gemäß dem LLC-Vertrag wird die Gesellschaft zwei Klassen von Vorzugsaktien ausgeben, die Gesellschaftsanteile an der Gesellschaft verkörpern, nämlich das Class-A-Preferred-Wertpapier und die Class-B-Preferred-Wertpapiere, sowie eine Klasse eines Stammanteils, welcher ebenfalls Gesellschaftsanteile an der Gesellschaft verkörpert, den Gesellschafts-Stammanteil. Der Property Trustee wird zunächst 100% der ausgegebenen und ausstehenden Class-B-Preferred-Wertpapiere zugunsten der Inhaber und wirtschaftlichen Eigentümer der Trust-Wertpapiere halten. Eine BayernLB-Konzerngesellschaft wird den ausgegebenen und ausstehenden Gesellschafts-Stammanteil und das Class-A-Preferred-Wertpapier halten.

Der einzige Zweck der Gesellschaft ist (i) die Ausgabe des Class-A-Preferred-Wertpapiers, der Class-B-Preferred-Wertpapiere und des Gesellschafts-Stammanteils, (ii) die Anlage der daraus resultierenden Erlöse in die Anfänglichen Schuldverschreibungen, (iii) nach einer Einziehung der Anfänglichen Schuldverschreibungen vor dem Endfälligkeitstag, bei dem keine Einziehung der Class-B-Preferred-Wertpapiere erfolgt ist, die Wiederanlage der Erlöse in von der Bank (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika)) oder von einer Qualifizierten Tochtergesellschaft (ausgenommen Qualifizierte Tochtergesellschaften in den Vereinigten Staaten von Amerika) (auch im Namen einer Niederlassung (ausgenommen Niederlassungen in den Vereinigten Staaten von Amerika) begebene Ersatz-Schuldverschreibungen als Ersatz für die Anfänglichen Schuldverschreibungen, unter der Voraussetzung, dass diese Wiederanlage nicht zu einem Gesellschafts-Sonderkündigungsfall führt, (iv) im Falle einer Nichterfüllung in Bezug auf die Schuldverschreibungen die Durchsetzung ihrer Rechte auf Zahlung überfälliger Beträge, (v) nach dem Endfälligkeitstag, soweit die Class-B-Preferred-Wertpapiere nicht eingezogen wurden, die Anlage in Zulässige Anlagen, (vi) der Abschluss und unter bestimmten Umständen die Durchsetzung der Nachrangigen Patronatserklärung ausschließlich zugunsten der Inhaber der Class-B-Preferred-Wertpapiere und (vii) die Ausführung aller anderen hierfür erforderlichen oder damit verbundenen Tätigkeiten.

Die Gesellschaft kann auch von Zeit zu Zeit und ohne Zustimmung der Inhaber der Class-B-Preferred-Wertpapiere weitere Class-B-Preferred-Wertpapiere mit identischen Bedingungen (bzw. in allen Punkten identischen Bedingungen bis auf den Ausgabebetrag, den Tag, ab dem Ausschüttungen auf die Class-B-Preferred-Wertpapiere auflaufen, den Ausgabepreis und andere Abweichungen, soweit nach anwendbarem Recht notwendig) gegen Schuldverschreibungen mit einem Nennbetrag, der dem gesamten Liquidationsvorzugsbetrag dieser zusätzlichen Class-B-Preferred-Wertpapiere entspricht, ausgeben, so dass sie mit den Class-B-Preferred-Wertpapieren eine einheitliche Serie bilden.

### **Zusammenfassung in Bezug auf den Trust**

Der Trust ist ein nach dem *Delaware Statutory Trust Act* in jeweils gültiger Fassung (der „Trust Act“) gegründeter *Statutory Trust*, der gemäß einer von der Gesellschaft als Sponsor, dem Property Trustee



und dem Delaware Trustee abgegebenen Trust-Vertrag, und dem Einreichen eines *Certificate of Trust* beim *Secretary of State* des Bundesstaates Delaware am 25. September 2007 errichtet wurde. Der Hauptgeschäftssitz des Trust befindet sich c/o Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, Vereinigte Staaten von Amerika, Telefon: +1-(302) 636-3301.

Eine BayernLB-Konzerngesellschaft wird Inhaber des Trust-Stammanteils sein, der einer Kapitaleinlage in Höhe von US-\$ 1.000 entspricht.

Der Trust wurde als Zweckgesellschaft errichtet. Er wird die Erlöse, die sich aus der Ausgabe der Trust-Wertpapiere ergeben, für den Erwerb der Class-B-Preferred-Wertpapiere von der Gesellschaft verwenden und dementsprechend werden die Vermögenswerte des Trust ausschließlich aus den Class-B-Preferred-Wertpapieren bestehen. Der Trust besteht einzig zu dem Zweck (i) der Ausgabe der Trust-Wertpapiere, die uneingeschränkte Eigentumsanteile an den Class-B-Preferred-Wertpapieren verkörpern, (ii) der Anlage der Erlöse aus der Ausgabe der Trust-Wertpapiere in die Class-B-Preferred-Wertpapiere und (iii) die Ausführung der dafür notwendigen oder damit verbundenen Tätigkeiten. Der Trust kann auch von Zeit zu Zeit weitere Trust-Preferred-Wertpapiere ausgeben, jedoch unter der Voraussetzung, dass er von der Gesellschaft eine entsprechende Anzahl zusätzlicher Class-B-Preferred-Wertpapiere erhält.

## **RISK FACTORS**

*An investment in the Trust Preferred Securities involves certain risks. An investor should carefully consider the following discussion, in conjunction with the other information contained in this Prospectus, before deciding whether an investment in the Trust Preferred Securities is suitable.*

### **RISK FACTORS RELATED TO THE OFFERING**

#### **Risks associated with the financial condition of the Bank and its affiliates**

If the financial condition of the Bank or its affiliates were to deteriorate, then it could result in: (i) the Bank having insufficient Distributable Profits for the Company to declare and pay Capital Payments on the Class B Preferred Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from the Bank under the Initial Debt Securities or the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Class B Preferred Securities, which, in turn, would reduce the amounts available to the Trust for periodic distributions to holders of the Trust Preferred Securities. In addition, if a voluntary or involuntary liquidation, dissolution or winding up of the Bank were to occur, holders of the Trust Preferred Securities may lose part or all of their investment.

#### **The Company is not required to make Capital Payments**

The declaration of Capital Payments by the Company on the Class B Preferred Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. Although it is the policy of the Company to distribute the full amount of Operating Profits for each Capital Payment Period as Capital Payments to the holders of the Class B Preferred Securities if the Bank has sufficient Distributable Profits, the Board of Directors of the Company has discretion in declaring and making Capital Payments. Notwithstanding the foregoing, however, the Company will be deemed to have authorized Capital Payments on the Class B Preferred Securities (and the Board of Directors of the Company shall have no discretion with regard to declaring Capital Payments) under certain circumstances involving payments made in respect of Parity Securities or Junior Securities. See “Description of Company Securities – Class B Preferred Securities – Capital Payments.”

In addition, even if the Bank has sufficient Distributable Profits and the Company has sufficient Operating Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date if on such date there is in effect an order of the BaFin or any other relevant regulatory authority prohibiting the Bank from making any distributions of profits (including to the holders of Parity Securities, if any). To the extent the Company is not permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date, this will reduce the amount available to the Trust to make Capital Payments on the Trust Preferred Securities. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments” and “Description of the Trust Securities.”

#### **Capital Payments are noncumulative**

The right of the holders of the Trust Preferred Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders of the Trust Preferred Securities will have no right to receive a Capital Payment in respect of such Capital Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

## **No voting rights; relationships with the Bank and its affiliates; certain conflicts of interest**

The Bank will control the Company through its or a BayernLB Group Company's power, as holder of the Company Common Security, to elect a majority of the Board of Directors. Generally, the Trust, to the extent that it is the holder of the Class B Preferred Securities, will have no right to vote to elect members of the Board of Directors. The only exception is that it will have the right to elect one independent member to the Board of Directors, the Independent Enforcement Director, upon the occurrence of any event causing a liquidation or dissolution of the Company or if (i) the Company fails to make Capital Payments (and any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full as and when due for two consecutive Capital Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given.

### **Special redemption risk**

*Redemption upon occurrence of a Company Special Redemption Event.* The Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be (x) at the Redemption Price, in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, the Early Redemption Price, plus, in each case, Additional Amounts, if any. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are: (i) changes in the tax status of the Company or the Trust, (ii) Additional Amounts or Additional Interest Amounts, as the case may be, become applicable to payments on the Class B Preferred Securities, the Trust Securities or the Debt Securities, (iii) the Bank is permitted to treat neither the Class B Preferred Securities nor, as the case may be, the Trust Preferred Securities, as Tier I regulatory capital on a consolidated basis or (iv) the Company will be considered an "investment company" within the meaning of the 1940 Act. See "Description of the Trust Securities – Redemption."

*Liquidation of the Trust upon occurrence of a Trust Special Redemption Event.* If there has occurred a Tax Event, a Gross-up Event or an Investment Company Act Event, each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Preferred Securities would receive as its liquidation distribution a corresponding number of the Class B Preferred Securities. Upon such distribution, the Class B Preferred Securities might never be listed on any securities exchange or eligible for trading through Euroclear or Clearstream, and holders of the Class B Preferred Securities and their nominees would become subject to Form K-1 and nominee reporting requirements under the Code. The Company will report to the IRS on Form/Schedule K-1, the pro rata share in the Company's income, gain, loss, deduction or credit of each holder of the Class B Preferred Securities for the then prior calendar year, and potential tax liability will thereby accrue to holders of the Class B Preferred Securities received upon dissolution and liquidation of the Trust. Accordingly, the Class B Preferred Securities, which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

### **The Support Undertaking is not a guarantee that Capital Payments will be made**

The Bank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Class B Preferred Securities. However, the Support Undertaking does not represent a guarantee (*Garantie*) from the Bank that the Company will be authorized to declare and make a Capital Payment for any Capital Payment Period. Furthermore, the obligations of the Bank under the Support Undertaking rank junior to all indebtedness of the Bank with the effect that, if the Bank (and therefore the Company) were liquidated, holders of the Trust Preferred Securities would have the right to receive, if any, payments equal to the Liquidation Preference Amount, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to, but excluding, the date of liquidation, and Additional Amounts, if any, pursuant to the Support Undertaking *pari passu* with amounts payable to the holders of the most senior preference shares of the Bank, if any,

and other instruments qualifying as Tier I regulatory capital. See “Description of the Support Undertaking.”

### **No prior public market**

There was no prior public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Luxembourg Stock Exchange. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

### **Regulatory restrictions on the Company’s operations**

The Company is a subsidiary of the Bank. German bank regulatory authorities could make determinations in the future with respect to the Bank that could adversely affect the Company’s ability to make Capital Payments in respect of the Class B Preferred Securities. In addition, German and European Union regulatory authorities and regulatory authorities in other countries have regulatory authority over the Bank and/or the Bank’s subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to the Bank and/or any of the Bank’s subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of any of them to, among other things, make distributions to their respective securityholders, engage in transactions with affiliates, purchase or transfer assets, pay their respective obligations or make any redemption or liquidation payments to their securityholders.

### **No fixed maturity date**

There is no fixed maturity date for the Class B Preferred Securities and, hence, for the Trust Preferred Securities. Neither the Class B Securities nor the Trust Preferred Securities will be redeemable at the option of the holder thereof. Even though the Class B Preferred Securities and the Trust Preferred Securities may be redeemed on the Initial Redemption Date, there can be no assurance that the Company will opt to redeem the Class B Preferred Securities on the Initial Redemption Date.

Whether or not the Company decides to redeem the Class B Preferred Securities will depend on a number of factors (most of which are outside the control of the Bank and the Company) including, for example:

- the regulatory capital position/requirements and the refinancing options of the Bank at such time;
- the regulatory assessment of the Class B Preferred Securities, the Debt Securities and/or the Trust Preferred Securities;
- whether the required prior consent of the BaFin has been obtained; and
- the interest rate and credit spread environment for hybrid capital instruments and general capital market conditions.

### **RISK FACTORS RELATED TO THE TRUST**

The Trust is a funding vehicle for the BayernLB Group which has been established solely for the purpose of issuing the Trust Preferred Securities and the Trust Common Security and investing the proceeds from the issue in the Class B Preferred Securities which are expected to constitute the sole

assets of the Trust. In the event that the Company fails to make a payment under the Class B Preferred Securities and the Bank fails to make a payment under the Support Undertaking, the Trust will not be in a position to meet its payment obligations under the Trust Preferred Securities.

## **RISK FACTORS RELATED TO THE COMPANY**

The Company is a funding vehicle for the BayernLB Group which has been established solely for the purpose of issuing the Company Securities and investing the proceeds from the issue of the Class B Preferred Securities in the Initial Debt Securities which are expected to constitute the sole assets of the Company. In the event that the Bank fails to make a payment under the Debt Securities, the Company will not be in a position to meet its payment obligations under the Class B Preferred Securities and, in turn, unless sufficient payments are made by the Bank under the Support Undertaking, the Trust will not be in a position to meet its payment obligations under the Trust Preferred Securities.

## **RISK FACTORS RELATED TO THE BANK**

### **Description of Risk Factors and Risk Management Systems**

Like other market participants the Bank is exposed to certain risks in connection with its business activities, the realization of which might ultimately lead to the Bank's inability to fulfill its obligations, at all or in due time, under any issue of securities.

#### ***Counterparty Risk***

The Bank is exposed to a counterparty risk, which is defined as the potential loss resulting from a counterparty's default or from a decrease in value owing to a deterioration of a counterparty's credit standing. Counterparty risks may be broken down into risks arising from traditional credit business, issuer risks resulting from securities transactions and counterparty risks from trading transactions. The maximum loss permitted for the assumption of counterparty risks is limited by equity backing pursuant to supervisory requirements.

#### ***Shareholder Risks***

In addition to counterparty risks, there may also be risks resulting from investments (shareholder risks). These risks represent potential losses arising from equity employed and losses arising from liability risks (e.g. letters of comfort (*Patronatserklärungen*)) or from profit and loss transfer agreements (assumption of losses). The Bank aims to exercise control over BayernLB Group's strategic participations through a majority holding, or alternatively by means of voting commitment agreements. It exerts influence over the business and risk policies of its subsidiaries through its representation on their shareholder committees or supervisory bodies. The strategy with respect to participations is monitored on an ongoing basis.

#### ***Country Risk***

A country risk arises when a borrower based in the country concerned, or the country itself, is unable to fulfill its obligations at all, or in due time, due to measures taken at national level or due to macro-economic/political problems. Transfer and translation risks come under the heading of country risk. The country rating is a key tool in the measurement of country risk. Similarly to the customer rating, a 24-tier rating scale is used for this purpose. An independent research team in the Economics Department calculates the country ratings and updates them at regular intervals. For the purposes of assessing country risk, the economic and political situation of the respective country and, more importantly, its ability to service its debt, are analyzed with the aid of both quantitative and qualitative data. The ratings of key emerging markets, as well as the ratings of politically unstable countries are monitored on an ongoing basis. Country risks are controlled by setting limits for countries based on their rating.

### **Market Price Risk**

Market price risks are defined as potential losses due to changes in market prices. The Bank subdivides market price risks according to their risk factors into interest rate, currency, share price, commodity and volatility risks. The source of these market price risks may be securities (or similar products), money-market or foreign-exchange products, commodities, derivatives, currency or performance hedging, equity or quasi-equity or asset/liability management. The maximum loss permitted for the assumption of market risks is limited by a fixed amount of risk capital covering this risk type. Employing a value-at-risk method, risks are measured on a daily basis (under regular market conditions) whereas risk modeling is refined on an ongoing basis. Also, stress tests are carried out, involving the simulation of unusual market price fluctuations, crisis situations and worst-case scenarios. The reliability of market risk measuring procedures is reviewed on a regular basis. All market price risks are monitored by central Trading Risk Controlling.

### **Liquidity Risk**

The Bank defines liquidity risk as the risk that its liquidity needs at some future point in time may be unavailable, or only partially available, or only available at a significantly higher price than anticipated. To safeguard solvency even in times of crisis, the Bank has an appropriate portfolio of securities eligible for rediscount at the central bank (ECB, Federal Reserve Bank (Fed)), which can cover any unforeseen payment obligations on the same day. The Bank is enhancing its liquidity monitoring methods by fine-tuning the available capital flow accounts and developing additional tools of analysis in conformity with Basel II.

### **Operational Risk**

The Bank defines operational risk (OpRisk) as the risk of an unexpected loss occurring as a result of human error, a process or control deficiency, a technical failure, a disaster or any negative external factor; OpRisk also encompasses legal risks. The business areas/support operations compile operational loss data on an ongoing basis as part of an institutionalized reporting system. Additional information is collected as part of self-assessments or risk inventories. In the interests of early detection, key risk indicators are employed for various core areas. The Bank aims to apply the Advanced Measurement Approach (AMA) in the OpRisk sphere as part of its implementation of the Basel Accord.

For a more detailed description potential investors may refer to the Report on the Bank and the Group/Risk Report of the audited financial information 2005 which is incorporated by reference in this Prospectus.

The Bank employs uniform procedures to control and monitor its risks across its business areas. The objective is to optimize the Bank's risk/return profile for all of the various types of risk. All risks are identified, measured, aggregated and controlled in the process based on a framework of risk principles, as well as corresponding organizational structures and processes.

The legal framework for the risk controlling consists of the "Minimum Requirements for Risk Management" (MaRisk) of the BaFin.

From today's point of view the risk management systems described above constitute a suitable means to identify, analyze, assess, control and monitor the risks BayernLB Group is exposed to and to prevent realization of such risks in terms of BayernLB Group not being able to fulfill its obligations at all or in due time. However, the Bank points out that it may not be successful in developing and implementing new risk management policies, and there can be no assurance that the Bank's procedures for identifying, analyzing, assessing, controlling and monitoring the risks will prove sufficient and adequate in the future. Any such insufficiency or inadequacy could expose the BayernLB Group to unanticipated material losses and could have a material adverse effect on its business and financial condition and could ultimately result in BayernLB Group's inability to fulfill its obligations under any issue of securities.



## DISTRIBUTABLE PROFITS OF THE BANK

The Company's authority to declare Capital Payments on the Class B Preferred Securities for any Capital Payment Period depends, among other things, on the Distributable Profits of the Bank for the preceding fiscal year.

Distributable Profits of the Bank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of the Bank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from previous years, minus any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the provisions of the Act on Bayerische Landesbank, the Statutes (*Satzung*) of the Bank and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

Pursuant to Statutes of the Bank based on Article 12 of the Act on Bayerische Landesbank, at least 25% of the Bank's annual surplus is to be allocated to the statutory reserve until the statutory reserve has reached 10% of the Bank's nominal capital; the remaining part of the annual surplus can be transferred to other reserves. Only following the allocations to reserves, the balance sheet profit is distributed to the equity holders in proportion to their holdings. To round off the distributions amounts, a profit carried-forward can be resolved on.

The following table sets forth, as of December 31, 2005, 2004, and 2003, the items derived from the Bank's audited unconsolidated balance sheet that affect the calculation of the Bank's Distributable Profits.

**The financial information presented in the following table is not indicative of the Bank's Distributable Profits, retained earnings and capital reserves in the future.**

	Year Ended December 31,		
	2003	2004	2005
	(€ in millions)		
Distributable Profits . . . . .	63.4	63.4	114.1
Other revenue reserves . . . . .	2,156.4	2,156.4	2,512.0
Capital reserves and statutory reserve available to offset a loss . . . . .	1,931.1	1,931.1	2,143.6
	4,150.9	4,150.9	4,769.7

The Bank has achieved Distributable Profits in respect of each of its past three fiscal years.

The Bank paid total dividends of € 63.4 million, € 63.4 million and € 114.1 million in respect of the years ended December 31, 2005, 2004 and 2003, respectively.

## DESCRIPTION OF THE TRUST SECURITIES

*The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary sets forth the material terms and provisions of the Trust Securities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Trust Agreement and the Trust Act.*

### General

The Trust Securities will be issued in fully registered form without coupons. The Trust Securities will not be issued in bearer form.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust, which consist solely of Class B Preferred Securities. Title to the Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders and beneficial owners of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Class B Preferred Securities, issue any securities other than the Trust Securities or incur any indebtedness, *provided* that, as the Company may, from time to time and without the consent of the Trust as the holder of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms as the Class B Preferred Securities so as to form a single series with the Class B Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law). The Trust, accordingly, may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for receipt of additional Class B Preferred Securities equal to the aggregate Liquidation Preference Amount of such Trust Preferred Securities.

### Capital Payments

Subject to the terms of the Trust Agreement, Capital Payments will accrue on the Liquidation Preference Amount of each Trust Preferred Security (i) for each Capital Payment Period ending prior to the Reset Date, at the Fixed Rate, payable annually in arrears on each Fixed Rate Payment Date and (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Floating Rate, payable quarterly in arrears on each Floating Rate Payment Date. For each Capital Payment Period ending prior to the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Capital Payment Period. For each Capital Payment Period beginning on or after the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed in a 360-day year.

If any Capital Payment Date or any Redemption Date that occurs before the Reset Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof. If any Capital Payment Date or any Redemption Date that occurs on or after the Reset Date falls on a day that is not a Business Day, such Capital Payment Date or Redemption Date shall be postponed to the next succeeding Business Day, unless it would thereby fall into the next calendar month, in which case such Capital Payment Date or Redemption Date shall be the immediately preceding Business Day.

For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be notified no later than the first day of each Capital Payment Period, of the rate at which Capital Payments will accrue on the Trust Preferred Securities during such Capital Payment Period, of the beginning and ending dates of the relevant Capital Payment Period and the relevant Capital Payment Date.

Capital Payments on the Trust Preferred Securities are expected to be paid out of Capital Payments received by the Trust with respect to the Class B Preferred Securities. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments.” If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to be declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period. In such a case, no Capital Payments will be made on the Trust Preferred Securities in respect of such Capital Payment Period.

Each declared Capital Payment will be payable to the holders of record of the Trust Preferred Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The holder of record will be the Common Depositary, in whose name the Global Certificates will be registered. See “- Form, Book-Entry Procedures and Transfer.” The record dates for the Trust Preferred Securities will be (i) so long as the Trust Preferred Securities remain in book-entry form, one Business Day prior to the relevant Capital Payment Date, and (ii) in all other cases, 15 calendar days prior to the relevant Capital Payment Date.

Such Capital Payments will be paid through the Property Trustee who will hold amounts received in respect of the Class B Preferred Securities in the Property Account for the benefit of the holders of the Trust Preferred Securities, subject to any applicable laws and regulations and the provisions of the Trust Agreement.

The right of the holders of the Trust Preferred Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders will have no right to receive a Capital Payment in respect of such Capital Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

Except as described under “- Subordination of Trust Common Security” below, all Capital Payments and other payments to holders of the Trust Securities will be distributed among holders of record *pro rata*, based on the proportion that the aggregate liquidation preference amount of the Trust Securities held by each holder bears to the aggregate liquidation preference amount of all Trust Securities.

### **Payments of Additional Amounts**

All payments on the Trust Preferred Securities by the Trust (including any amount payable in liquidation or upon redemption thereof) will be made without deduction or withholding for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Class B Preferred Securities because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of the Capital Payments on the Class B Preferred Securities and, to the extent not yet reflected in the calculation of Distributable Profits, capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Trust Preferred Securities;

- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; *provided*, however, that the exclusion set forth in this clause shall not apply in respect of any certification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder or beneficial owner of Trust Preferred Securities than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms 1001, W-8 and W-9); or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Trust Preferred Securities would have presented the relevant Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Trust Preferred Securities for payment on the last day of such period of 30 days.

#### **Enforcement Events**

The occurrence, at any time, of:

- (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full as and when due, for two consecutive Capital Payment Periods; or
- (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking

will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (an “**Enforcement Event**”); *provided* that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated and the Property Trustee has not received notice of such event, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement. In the case of non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities referred to in clause (i) above or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Trust Preferred Securities or any holder of the Class B Preferred Securities, holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. See “Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights.”

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce the rights of the holders of the Class B Preferred Securities, including:

- (i) claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) (plus Additional Amounts thereon, if any) on the Class B Preferred Securities;
- (ii) appointment of an Independent Enforcement Director (to the extent that such Enforcement Event results from non-payment of Capital Payments on the Class B Preferred Securities for two consecutive Capital Payment Periods or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Trust Preferred Securities or any holder of the Class B Preferred Securities); and
- (iii) assertion of the rights under the Support Undertaking as it relates thereto.

If the Property Trustee fails to enforce its rights under the Class B Preferred Securities after a holder of record of the Trust Preferred Securities has made a written request, such holder of record of the Trust Preferred Securities may directly institute a legal proceeding against the Company to enforce the Property Trustee's rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

### **Redemption**

If the Company redeems the Class B Preferred Securities, the Trust must redeem the Trust Preferred Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on any Capital Payment Date falling on or after the Initial Redemption Date at the Redemption Price plus Additional Amounts, if any. The Company will also have the right at any time to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event (x) at the Redemption Price, in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, the Early Redemption Price, plus, in each case, Additional Amounts, if any.

The Company may exercise its right to redeem the Class B Preferred Securities only if it has:

- (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date,
- (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the aggregate liquidation preference amount of the Class B Preferred Securities, and
- (iii) obtained any required regulatory approvals.

The Trust Agreement will provide that the Property Trustee will promptly give notice to the holders of the Trust Securities of the Company's intention to redeem the Class B Preferred Securities on the Redemption Date.

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof.

Upon any redemption of the Class B Preferred Securities, the proceeds of such redemption will simultaneously be applied to redeem the Trust Preferred Securities. All Class B Preferred Securities or Trust Preferred Securities that are redeemed will be cancelled, and not reissued, following their redemption.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but, in the event of any such distribution of Class B Preferred Securities, the rights of the holder of the Trust Common Security will be subordinated to the rights of the holders of the Trust Preferred Securities.

If, at any time, a Trust Special Redemption Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of such Trust Special Redemption Event, dissolve the Trust upon not less than 30 nor more than 60 days' notice to the holders of the Trust Securities and upon not less than 30 nor more than 60 days' notice to, and consultation with Euroclear and Clearstream, with the result that, after satisfaction of the claims of creditors of the Trust, if any, Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Preferred Securities and the holder of the Trust Common Security in liquidation of such holders' interest in the Trust, *provided, however,* that, if, at such time, the Trust has the opportunity to eliminate, within such 90-day period, the Trust Special Redemption Event by taking some ministerial action, such as filing a form or making an election, or some other similar reasonable measures, which in the sole judgment of the Bank will cause no adverse effect on the Company, the Trust, the Bank or the holders of the Trust Securities and will involve no material costs, then the Trust will pursue any such measure in lieu of dissolution.

On the date fixed for any distribution of the Class B Preferred Securities, upon dissolution of the Trust:

- (i) the Trust Securities will no longer be deemed to be outstanding, and
- (ii) certificates representing Trust Securities will be deemed to represent Class B Preferred Securities having a liquidation preference amount equal to the Liquidation Preference Amount of, and bearing accrued and unpaid Capital Payments equal to accrued and unpaid Capital Payments on, the Trust Preferred Securities and the liquidation preference amount of the Trust Common Security until such certificates are presented to the Company or its agent for transfer or reissuance.

If the Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the Class B Preferred Securities to be eligible for clearing and settlement through Euroclear or Clearstream, or a successor clearing agent and to be listed on the Luxembourg Stock Exchange or such other securities exchange or other organization on which the Trust Preferred Securities are then listed.

### **Redemption Procedures**

On the date specified for redemption of the Trust Preferred Securities in a notice of redemption issued by the Trust in respect of the Trust Preferred Securities (which notice shall be irrevocable and given at least 30 calendar days prior to the Redemption Date), if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Class B Preferred Securities, then, by 9:00 a.m., Central European time, the Trust will irrevocably deposit with the Principal Paying Agent funds sufficient to pay the amount payable on redemption of the Trust Preferred Securities. If notice of redemption will have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of the Trust Preferred Securities will cease, except the right of the holders of the Trust Preferred Securities to receive the redemption price, but without interest on such redemption price.

If any Redemption Date that occurs before the Reset Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof. If any Redemption Date that occurs on or after the Reset Date falls on a day that is not a Business Day, such Redemption Date shall be postponed to the next succeeding Business Day, unless it would thereby fall into the next calendar month, in which case such Redemption Date shall be the immediately preceding Business Day.

### **Purchases of the Trust Preferred Securities**

Subject to applicable law (including, without limitation, applicable securities laws and the regulations of any stock exchange and the BaFin), the Bank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the secondary market or by private agreement. Such Trust Preferred Securities remain outstanding and may be resold. If the Bank or any of its affiliates offer or sell, or make a secondary market in, the Trust Preferred Securities,



such actions may give rise to limitations with respect to resales in the United States or to U.S. persons of trust preferred securities previously sold in offshore transactions in reliance on Regulation S.

### **Subordination of the Trust Common Security**

Payment of Capital Payments and other distributions on, and amounts on redemption of, the Trust Securities will generally be made *pro rata* based on the liquidation preference amount of the Trust Securities. However, upon the liquidation of the Trust and upon the occurrence and during the continuance of a default under the Debt Securities or a failure by the Bank to perform any obligation under the Support Undertaking, holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to payments of Capital Payments and other distributions and amounts upon redemption or liquidation of the Trust, as no such payments on the Trust Common Security shall be made to the holder thereof unless payment in full has been made on the Trust Preferred Securities to the holders thereof.

In the case of any Enforcement Event, the holder of the Trust Common Security will be deemed to have waived any and all Enforcement Events until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Security, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

### **Liquidation Distribution upon Dissolution**

Pursuant to the Trust Agreement, the Trust will dissolve:

- (i) upon the insolvency, liquidation or dissolution of the Bank,
- (ii) upon the insolvency, liquidation or dissolution of the Company,
- (iii) after having obtained the consent of at least a majority in liquidation preference amount of the Trust Securities, voting together as a single class, to dissolve the Trust,
- (iv) upon the distribution of all of the Class B Preferred Securities upon the occurrence of a Trust Special Redemption Event,
- (v) upon the entry of a decree of a judicial dissolution of the Company or the Trust,
- (vi) when all of the Trust Securities shall have been called for redemption and (x) the amounts necessary for redemption thereof shall have been paid to the holders of the Trust Securities or (y) all of the Class B Preferred Securities shall have been distributed to the holders of the Trust Securities in exchange for all of the Trust Securities, or
- (vii) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor;

*provided* that, if a claim has been made under the Support Undertaking, the Trust shall not, to the fullest extent permitted by law, dissolve until (a) such claim has been satisfied and the proceeds therefrom have been distributed to the holders of the Trust Securities or (b) the Class B Preferred Securities have been distributed to the holders of the Trust Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Preferred Securities will be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

## Statute of Limitations

The prescription period for claims for the payment of Capital Payments, Additional Amounts and any redemption price payable on the Trust Preferred Securities is three years after the date on which the respective payment becomes due and payable.

## Voting and Enforcement Rights

Except as expressly required by applicable law, or except as provided for in the Trust Agreement or the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority in liquidation preference amount of the Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank or its affiliates) have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, and to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Class B Preferred Securities, to

- (i) exercise the remedies available to it under the LLC Agreement as a holder of the Class B Preferred Securities, and
- (ii) consent to any amendment, modification or termination of the LLC Agreement or the Class B Preferred Securities where such consent will be required;

*provided, however,* that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority in liquidation preference amount of the Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate liquidation preference amount of the Trust Preferred Securities outstanding which is at least equal to the percentage of the liquidation preference amount of the Class B Preferred Securities required to so consent or act under the LLC Agreement, may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights." Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee will be under no obligation to take any of the actions described in clause (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U.S. federal income tax purposes and that after such action each holder of the Trust Preferred Securities will continue to be treated as owning an undivided beneficial ownership interest in the Class B Preferred Securities.

Any required approval or direction of holders of the Trust Preferred Securities may be given at a separate meeting of holders of the Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of the Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of the Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be made in the manner described below under "– Notices." Each such notice will include a statement setting forth the following information:

- (i) the date of such meeting or the date by which such action is to be taken;
- (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and
- (iii) instructions for the delivery of proxies or consents.

No vote or consent of the holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Class B Preferred Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Trust Preferred Securities purchased or acquired by the Bank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Trust Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of the Bank), excluding the Trust, to whom the Bank or any of its subsidiaries or affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities to the extent permitted by the terms of such pledge.

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the BayernLB Group Company, as the holder of the Trust Common Security.

### **Meetings of Holders**

Meetings of the holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which holders of such class of Trust Securities are entitled to act under the terms of the Trust Agreement, the terms of the Trust Securities, the LLC Agreement, the rules of any stock exchange on which Trust Preferred Securities are listed or admitted for trading, the Trust Act or other applicable law. The Regular Trustees shall call a meeting of the holders of such class if directed to do so by the holders of at least 10% in liquidation preference amount of the Trust Securities of such class outstanding. Such direction shall be given by delivering to the Regular Trustees one or more notices in writing stating that the signing holders of the Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any holders of the Trust Securities calling a meeting shall specify in writing number and class of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

### **Merger, Consolidation or Amalgamation of the Trust**

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States of America; *provided that*:

- (i) if the Trust is not the survivor, such successor entity either
  - (A) expressly assumes all of the obligations of the Trust to the holders of the Trust Securities or
  - (B) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Preferred Securities (the “**Successor Securities**”) and the Trust Common Security, so long as the Successor Securities rank the same as the Trust Preferred Securities with respect to Capital Payments, other distributions and rights upon liquidation, redemption or otherwise,
- (ii) the Company expressly acknowledges a trustee or another representative of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Class B Preferred Securities,

- (iii) the Successor Securities are listed or any Successor Securities will be listed upon notification of issuance, on any securities exchange or any other organization on which the Trust Preferred Securities are then listed or quoted,
- (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including the Successor Securities) to be downgraded by any statistical rating organization nationally recognized in the United States of America,
- (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect,
- (vi) such successor entity has purposes substantially identical to that of the Trust,
- (vii) the obligations of the Bank pursuant to the Support Undertaking will continue in full force and effect, and
- (viii) prior to such merger, consolidation, amalgamation or replacement, the Bank has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that:
  - (A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including the Successor Securities) in any material respect,
  - (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register under the 1940 Act,
  - (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor entity) will be classified as a grantor trust for U.S. federal income tax purposes and
  - (D) following such merger, consolidation, amalgamation or replacement, the Company will not be classified as an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

Notwithstanding the foregoing, the Trust will not, except with the consent of holders of 100% in Liquidation Preference Amount of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank and its affiliates), consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity not to be classified as a grantor trust for U.S. federal income tax purposes.

### **Modification of the Trust Agreement**

The Trust Agreement may only be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), *provided* that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect,

- (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or
- (ii) the liquidation, dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least a majority in liquidation preference amount of the outstanding Trust Securities affected thereby (excluding Trust Securities held by the Bank and its affiliates); *provided further* that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Security, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of a majority of such class of the Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to

- (i) cure any ambiguity,
- (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement,
- (iii) add to the covenants, restrictions or obligations of the Bank,
- (iv) conform to any change in the 1940 Act or the rules or regulations thereunder,
- (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; *provided* in each case that no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or
- (vi) accomplish the issuance, from time to time and without the consent of the holders of the Trust Preferred Securities, of additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of Class B Preferred Securities equal to the aggregate Liquidation Preference Amount of such additional Trust Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would

- (i) cause the Trust to fail to be classified as a grantor trust for U.S. federal income tax purposes,
- (ii) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes,
- (iii) reduce or otherwise adversely affect the powers of the Property Trustee or
- (iv) cause the Trust or the Company to be required to register under the 1940 Act.

#### **Form, Book-Entry Procedures and Transfer**

The Trust Preferred Securities will be issued in fully registered form without coupons, in denominations of U.S.\$ 1,000, where the minimum Liquidation Preference Amount of the Trust Preferred Securities that can be purchased by any holder in the primary placement is U.S.\$ 75,000. The Trust Preferred Securities will initially be evidenced by one or more Temporary Global Certificates, which will be in registered form, registered in the name of, and deposited on or about the Issue Date with the Common Depository for, Euroclear and Clearstream. Interests in such Temporary Global Certificates will be exchangeable, upon certification as described below, for interests in one or more Permanent Global Certificates, in fully registered form, no earlier than after the expiry of the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities (the "**Restricted Period**").

The Temporary Global Certificates and the Permanent Global Certificates are referred to as "**Global Certificates**." Beneficial interests in such Global Certificates will be shown on, and transfers thereof will be effected through, records maintained by Euroclear and Clearstream and their respective participants. The Global Certificates (and any Trust Preferred Securities issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the Trust Agreement. During the Restricted Period, beneficial interests in the Temporary Global Certificates may be held only through Euroclear or Clearstream, unless delivery is made through the Restricted Global Certificates in accordance with the certification requirements described below. Interests in the Temporary Global Certificates may be exchanged, no earlier than 40 days after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities, for interests in the Permanent Global Certificates upon certification of non-U.S. beneficial ownership. No payment will be made in respect of an interest in the Temporary Global Certificates unless and until the beneficial owner of such interest has provided the required certification and such interest has been exchanged for an interest in the Permanent Global Certificates. See "**Payments; Certifications by Holders of the Temporary Global Certificates**."



Investors may hold their interests in the Global Certificates through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The Global Certificates will be deposited with the Common Depositary. Except as provided below, owners of beneficial interest in a Global Certificate will not be entitled to have Trust Preferred Securities registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form, and will not be considered holders thereof.

Subject to compliance with the transfer restrictions applicable to the Global Certificates described herein and in the Trust Agreement, cross-market transfers between direct or indirect account holders at a Euroclear or Clearstream participant (each, a “**Member Organization**”) holding interests in the Global Certificates will be effected in accordance with the normal rules and operating procedures of Euroclear or Clearstream, as applicable. Such cross-market transactions will require, among other things, delivery of instructions by such Member Organization to Euroclear or Clearstream, as the case may be, in accordance with the rules and procedures and within deadlines established by Euroclear or Clearstream, as the case may be. If the transaction complies with all relevant requirements, Euroclear or Clearstream, as the case may be, will then deliver instructions to its depositary to take action to effect final settlement on its behalf.

The information in this section concerning Euroclear and Clearstream has been obtained from sources that the Company and the Trust believe to be reliable, but the Company and the Trust take no responsibility for the accuracy thereof.

So long as Euroclear, Clearstream or the nominee of the Common Depositary is the registered holder of a Global Certificate, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Trust Preferred Securities represented by such Global Certificate for all purposes under the Trust Agreement and the Trust Preferred Securities. Payments in respect of Global Certificates will be made to Euroclear, Clearstream or such nominee, as the case may be, as the registered holder hereof. None of the Bank, the Company, the Trust, any agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for (i) any aspect of Euroclear’s, Clearstream’s or any Member Organization’s records relating to or payments made on account of beneficial ownership interests in the Global Certificates, or for maintaining, supervising or reviewing any of Euroclear’s, Clearstream’s or any Member Organization’s records relating to the beneficial ownership interests in the Global Certificates or (ii) any other matter relating to the actions and practices of Euroclear, Clearstream or any Member Organization.

Distributions with respect to book-entry interests in the Trust Preferred Securities held through Euroclear or Clearstream will be credited, to the extent received by Euroclear or Clearstream from a paying agent, to the cash amounts of Euroclear or Clearstream customers in accordance with the relevant system’s rules and procedures.

None of the Trust, the Property Trustee or the Common Depositary (or any registrar, paying agent or conversion agent under the Trust Agreement) will have any responsibility for the performance by Euroclear or Clearstream of their respective obligations under the rules and procedures governing their operations.

Although Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates between Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. If Euroclear and Clearstream are at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Trust within 90 days, the Trust will cause the Trust Preferred Securities to be issued in definitive form in exchange for the Global Certificates. Neither the Trust, the Company, the Common Depositary, the Bank nor any of their respective agents will have any responsibility for the performance by Euroclear and Clearstream, any Member Organization or their respective obligations under the rules and procedures governing their operations, including maintaining, supervising or reviewing the records relating to, or payments made on account or, beneficial ownership interests in the Global Certificate.



## **Definitive Certificates and the Exchange of Book-Entry Securities for Definitive Certificates**

A Global Certificate is exchangeable for Trust Preferred Securities in registered certificated form if Euroclear and Clearstream notify the Company that (i) they are unwilling or unable to continue as depository for such Global Certificate, or (ii) they are ineligible to act as depository and the Trust and the Company thereupon fail to appoint a successor depository. In all cases, certificated Trust Preferred Securities delivered in exchange for any Global Certificates or beneficial interests therein will be registered in the names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream, as the case may be (in accordance with its customary procedures).

Transfers of definitive certificates may be made in whole or in part in an authorized denomination upon the surrender of such definitive certificates, together with a form of transfer endorsed on it when completed and executed, at the specified office of a transfer agent. In the case of a transfer of only part of a definitive certificate, a new definitive certificate in respect of the balance not transferred will be issued to the transferor within three business days of receipt of such form of transfer, by uninsured post at the risk of the holder to the address of the holder, appearing in the Register. Each new definitive certificate to be issued upon a transfer of a definitive certificate will, within three business days of receipt of such form of transfer, be sent by uninsured post at the risk of the holder entitled to the definitive certificate to such address as may be specified in such form of transfer.

A certificate must be provided by or on behalf of a beneficial interest in the Temporary Global Certificates to Euroclear or Clearstream, as the case may be, certifying that the beneficial owner of the interest in Trust Preferred Securities represented thereby is not a U.S. Person, and Euroclear or Clearstream, as the case may be, must provide to the Common Depository a certificate prior to, but in no case earlier than the expiration of the Restricted Period, (i) the payment of Capital Payments or amounts on redemption or any other payment with respect to such holder's beneficial interest in the Temporary Global Certificates and (ii) any exchange of such beneficial interest for a beneficial interest in the Permanent Global Certificates.

Capital Payments on the Trust Preferred Securities, and any amounts payable on redemption thereof, may be made through the office of the Luxembourg Paying and Transfer Agent if and for so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange.

Capital Payments on definitive certificates will be made to holders in whose names the certificates were registered at the close of business on the relevant record date. Any Capital Payments or other payments due thereon will be made by wire, transfer or by check mailed to the address of such holder as it appears on the register maintained by the Luxembourg Paying and Transfer Agent. The final payment on any definitive certificates, however, will be made only upon presentation, and surrender of such certificated security at the office of the Luxembourg Paying and Transfer Agent on a Payment Date that is both a Business Day and a day on which banks in the relevant place of presentation are open for presentation and payment of such securities and for dealings in foreign currencies.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

## **Payments; Certifications by Holders of the Temporary Global Certificates**

On or after the expiration of the Restricted Period, a certificate may be provided by or on behalf of a holder of a beneficial interest in a Temporary Global Certificate to the registrar (the "**Registrar**") (or the Principal Paying Agent if other than the Registrar), certifying that the beneficial owner of the interest in such Temporary Global Certificate is not a U.S. Person. Unless such certificate is provided, (i) the holder of such beneficial interest will not receive any payments of Capital Payments, redemption price or any other payment with respect to such holder's beneficial interest in the Temporary Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a Per-

manent Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended. In the event that any holder of a beneficial interest in such Temporary Global Certificate fails to provide such certification, exchanges of interests in the Temporary Global Certificate for interests in the Permanent Global Certificate and settlements of trades of all beneficial interests in such Temporary Global Certificate may be temporarily suspended. Notwithstanding the above, during any period during which a holder of a beneficial interest in a Temporary Global Certificate fails to provide such certification, Capital Payments will continue to accrue on the relevant Trust Preferred Securities.

All payments on the Trust Preferred Securities by the Trust, and any amount payable in liquidation or upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order for the net amounts received by holders of the Trust Preferred Securities to equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities under certain circumstances described in “– Payments of Additional Amounts.”

### **Registrar, Transfer Agent and Paying Agents**

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, will act as Registrar, Transfer Agent and Principal Paying Agent for the Trust Preferred Securities. Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or the Bank may require) in respect of any tax or other government charges which may be imposed in relation to it. In accordance with the Trust Agreement, notice of the appointment of a new Registrar, Transfer Agent or Principal Paying Agent will, as long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, be published in a daily newspaper of general circulation in Luxembourg. For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Trust will maintain a Luxembourg Paying and Transfer Agent. The initial Luxembourg Paying and Transfer Agent will be Deutsche Bank Luxembourg S.A.

After such Trust Preferred Securities have been called for redemption, the Registrar/Transfer Agent will not be required to register or cause to be registered the transfer of such Trust Preferred Securities. Definitive certificates will not be issued except in the limited circumstances described under “– Definitive Certificates and Exchange of Book-Entry Securities for Definitive Certificates.”

### **Information Concerning the Property Trustee**

The Property Trustee, prior to the occurrence of any Enforcement Event, and after the curing or waiver of all Enforcement Events that may have occurred, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after the occurrence of any Enforcement Event, will exercise the same degree of care as a prudent person would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby.

### **Notices**

All notices or communications to a holder of the Trust Preferred Securities will be delivered, telecopied or mailed by first-class, registered or certified mail to such holder’s address as shown on the books and records of the Trust.

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream and any other relevant securities clearing system for communication by

each of them to entitled participants, and so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Tageblatt – Zeitung fir Lëtzeburg*) or if such Luxembourg publication (the “**Luxembourg Publication**”) is not practicable, in one of the leading English language newspapers being published on each day in morning editions whether or not it shall be published on Saturdays, Sundays or holidays.

So long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be notified (A) for each Capital Payment Period, of the rate at which Capital Payments will accrue on the Trust Preferred Securities, and the Capital Payment Period and Capital Payment Date for such Capital Payments, (B) ten Business Days prior to any Capital Payment Date if, for any Capital Payment Period, the Trust does not have sufficient funds for the Property Trustee to pay Distributions to the holders of Trust Securities on the respective Capital Payment Date, and without undue delay (C) of the occurrence of any Trust Special Redemption Event, (D) of the redemption of any Trust Preferred Securities, and (E) of the substitution, by the Bank, of Substitute Debt Securities for the Initial Debt Securities.

So long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, Luxembourg Publication will be made (i) ten Business Days prior to any Payment Date if, for any Capital Payment Period, the Trust does not have sufficient funds for the Property Trustee to make Capital Payments to the holders of Trust Securities, and without undue delay (ii) upon any change of the Luxembourg Paying and Transfer Agent, and (iii) of the substitution, by the Bank, of Substitute Debt Securities for the Initial Debt Securities.

### **Governing Law**

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the laws of the State of Delaware, United States of America.

### **Miscellaneous**

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act and will not be characterized as other than a grantor trust for U.S. federal income tax purposes.

## DESCRIPTION OF THE COMPANY SECURITIES

*The following summary sets forth the material terms and provisions of the limited liability company interests of the Company, including the Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.*

Upon the execution of the LLC Agreement, the Company will issue limited liability company interests consisting of the Company Common Security, the Class A Preferred Security and the Class B Preferred Securities. The Company Common Security and the Class A Preferred Security will be owned by a BayernLB Group Company. All of the Class B Preferred Securities will be owned by the Trust. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

### Company Common Security

Subject to the rights of the holders of the Class B Preferred Securities to appoint the Independent Enforcement Director, all voting rights are vested in the Company Common Security. The Company Common Security is entitled to one vote per security. The Company Common Security, upon consummation of the Offering, will be held by a BayernLB Group Company.

Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Capital Payment Period have been declared and paid.

In the event of the voluntary or involuntary liquidation, dissolution, termination or winding up of the Company, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Preferred Securities the full preferential amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to share equally and *pro rata* in any remaining assets.

### Class A Preferred Security

The Class A Preferred Security of the Company is non-voting. Capital payments on the Class A Preferred Security will be payable when, as and if declared by the Board of Directors; such a declaration will occur only to the extent the Board of Directors does not declare Capital Payments on the Class B Preferred Securities at the Stated Rate in full on any Capital Payment Date. The Company expects that the holder of the Class A Preferred Security will receive capital payments only to the extent that:

- (i) Capital Payments are not permitted to be declared on the Class B Preferred Securities on any Capital Payment Date at the Stated Rate in full due to insufficient Distributable Profits of the Bank for the fiscal year preceding such Capital Payment Period or an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of its profits (including to the holders of Parity Securities, if any), and
- (ii) the Company has sufficient Operating Profits.

The Company currently does not intend to pay capital payments on the Class A Preferred Security. The payment of capital payments on the Class A Preferred Security is not a condition to the payment of Capital Payments on the Class B Preferred Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; *provided* that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. Accordingly, upon any liquidation, the holder of the Class A Preferred Security will be entitled to receive a liquidation distribution of the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon). In the event of the liquidation of the Company, the Independent Enforcement Director will enforce the Support Under-

taking solely for the benefit of the holders of the Class B Preferred Securities and, with respect to the Company's rights under the Support Undertaking, the Class B Preferred Securities will rank senior to the Class A Preferred Security and payments thereunder will be distributed by the Company solely to the holders of the Class B Preferred Securities. For a description of the circumstances under which an Independent Enforcement Director may be elected, see "– Class B Preferred Securities – Voting and Enforcement Rights."

## **Class B Preferred Securities**

### ***General***

When issued, the Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the Company. The Class B Preferred Securities will not have any scheduled maturity date, will not be redeemable at any time at the option of the holders thereof, will not be convertible into any other securities of the Company and will not be subject to any sinking fund or other obligation of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), from issuing any debt securities or any further class or series of equity securities ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights upon liquidation or dissolution of the Company, *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the issue date, the date as of which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

### ***Capital Payments***

Capital Payments will accrue on the liquidation preference amount of U.S.\$ 1,000 per Class B Preferred Security

- (i) for each Capital Payment Period ending prior to the Reset Date, at the Fixed Rate, payable annually in arrears on each Fixed Rate Payment Date and
- (ii) for each Capital Payment Period commencing on or after the Reset Date, at the Floating Rate, payable quarterly in arrears on each Floating Rate Payment Date.

For each Capital Payment Period ending prior to the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Capital Payment Period. For each Capital Payment Period beginning on or after the Reset Date, Capital Payments will be calculated on the basis of the actual number of days elapsed in a 360-day year.

If any Capital Payment Date or any Redemption Date that occurs before the Reset Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof. If any Capital Payment Date or any Redemption Date that occurs on or after the Reset Date falls on a day that is not a Business Day, such Capital Payment Date or Redemption Date shall be postponed to the next succeeding Business Day, unless it would thereby fall into the next calendar month, in which case such Capital Payment Date or Redemption Date shall be the immediately preceding Business Day.

Capital Payments on the Class B Preferred Securities are expected to be paid out of the Company's Operating Profits or from payments received under the Support Undertaking. The right of the holders of the Class B Preferred Securities to receive Capital Payments is noncumulative. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will

have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period.

Capital Payments on the Class B Preferred Securities will only be authorized to be declared and paid on any Capital Payment Date to the extent that:

- (i) the Company has an amount of Operating Profits for the Capital Payment Period ending on the day immediately preceding such Capital Payment Date at least equal to the amount of such Capital Payments, and
- (ii) the Bank has an amount of Distributable Profits for the preceding fiscal year for which audited unconsolidated financial statements are available at least equal to (x) the aggregate amount of such Capital Payments and (y) to the extent not yet reflected in the calculation of Distributable Profits for the preceding fiscal year, all capital payments, dividends or other distributions on Parity Securities, if any, pro rata on the basis of Distributable Profits for such preceding fiscal year.

Notwithstanding the foregoing, if the Bank or any of its Subsidiaries declares or pays any capital payments, dividends or other distributions on any Parity Securities (excluding capital payments, dividends or other distributions by a subsidiary of the Bank exclusively to the Bank or a wholly-owned subsidiary of the Bank), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities on the first Capital Payment Date falling contemporaneously with or immediately after the date on which such capital payment, dividend or other distribution was declared or made. If such capital payment, dividend or other distribution on such Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, then Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If such capital payment, dividend or other distribution on such Parity Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its Subsidiaries declares or pays Junior Distributions, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay capital payments, dividends or other distributions:

- (i) for any Capital Payment Period ending prior to the Reset Date
  - If such Junior Securities pay distributions annually, Capital Payments will be deemed declared for payment at the Stated Rate in full on the first Capital Payment Date falling contemporaneously with or immediately following the date on which such capital payment, dividend or other distribution was made;
  - If such Junior Securities pay distributions semi-annually, (y) if only one such distribution was made in the Capital Payment Period preceding the relevant Capital Payment Date, Capital Payments will be deemed declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was made, or (z) if two such distributions were made in such Capital Payment Period, Capital Payments will be deemed declared for payment in the full amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date of which such capital payment, dividend or other distribution was made; and
  - If such Junior Securities pay distributions quarterly, (w) if only one such distribution was made in the Capital Payment Period preceding the relevant Capital Payment Date, Capital Payments will be deemed to have been declared for payment in one quarter of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment,



dividend or other distribution was made, or (x) if two such distributions were made in the Capital Payment Period preceding the relevant Capital Payment Date, Capital Payments will be deemed to have been declared for payment in one half of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was made, or (y) if three such distributions were made in the Capital Payment Period preceding the relevant Capital Payment Date, Capital Payments will be deemed to have been declared for payment in three quarters of the amount that would be payable at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was made, or (z) if four such distributions were made in the Capital Payment Period preceding the relevant Capital Payment Date, Capital Payments will be deemed to have been declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distributions was made.

(ii) For any Capital Payment Period commencing on or after the Reset Date:

- If such Junior Securities pay distributions annually, Capital Payments will be deemed declared for payment at the Stated Rate in full on the first four Capital Payment Dates falling contemporaneously with or immediately following the date on which such capital payment, dividend or other distribution was made;
- If such Junior Securities pay distributions semi-annually, Capital Payments will be deemed declared for payment at the Stated Rate in full on the first two Capital Payment Dates falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was made; and
- If such Junior Securities pay distributions quarterly, Capital Payments will be deemed to have been declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with and/or immediately following the date on which such capital payment, dividend or other distribution was made.

If the Bank or any of its Subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for interests in the endowment capital (*Grundkapital*) of the Bank (other than (i) in connection with transactions effected by or for the account of customers of the Bank or any of its Subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, (ii) in connection with the satisfaction by the Bank or any of its Subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (iii) as a result of a reclassification of the interests in the endowment capital (*Grundkapital*) of the Bank or any of its Subsidiaries or the exchange or conversion of one class or series of such interests for another class or series of such interests or (iv) the purchase of fractional interests in the endowment capital (*Grundkapital*) of the Bank or any of its Subsidiaries pursuant to the provisions of any security being converted into or exchanged for such interests), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for payment on the first Capital Payment Date falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits (including to the holders of Parity Securities, if any). The Company will have no obligation to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company, insufficient Distributable Profits of the Bank or an order of the BaFin (or any other relevant regulatory authority).

Each Capital Payment declared (or deemed to be declared) on the Class B Preferred Securities will be payable to the holders of record as they appear on the books and records of the Company at the

close of business on the corresponding record date. The record dates for the Class B Preferred Securities will be:

- (i) for those Class B Preferred Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Class B Preferred Securities held in book-entry form, one Business Day prior to the relevant Capital Payment Date, and
- (ii) in all other cases, 15 calendar days prior to the relevant Capital Payment Date.

### ***Payments of Additional Amounts***

All payments on the Class B Preferred Securities (including any amount payable in liquidation and any repayment upon redemption thereof) will be made without any deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. The Company will pay, as additional Capital Payments, such Additional Amounts to the holders of Class B Preferred securities as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and, ultimately, the Trust Preferred Securities, after any deduction or withholding for or on account of Withholding Taxes, will equal the amounts that would otherwise have been received in respect of the Class B Preferred Securities and the Trust Preferred Securities, respectively, in the absence of such withholding or deduction. No such Additional Amounts, however, will be payable in respect of the Class B Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and, to the extent not yet reflected in the calculation of Distributable Profits, any capital payments, dividends or other distributions on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any amounts of Withholding Taxes that are payable by reason of the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with the Relevant Jurisdiction other than by reason only of the mere holding of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any amounts of Withholding Taxes that can be avoided or reduced if the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; provided, however, that the exclusion set forth in this clause shall not apply in respect of any certification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the holder or beneficial owner of Class B Preferred Securities or Trust Preferred Securities than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms 1001, W-8 and W-9); or
- with respect to any amounts of Withholding Taxes that would not have been so imposed if the holder of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the

extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

### ***Voting and Enforcement Rights***

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated below. In the event the holders of the Class B Preferred Securities are entitled to vote as indicated below, each Class B Preferred Security shall be entitled to one vote on matters on which holders of the Class B Preferred Securities are entitled to vote. In the event that:

- (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full as and when due for two consecutive Capital Payment Periods; or
- (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director.

The Independent Enforcement Director will be appointed by resolution passed by holders of a majority in liquidation preference amount of the Class B Preferred Securities entitled to vote thereon, as described in the LLC Agreement, present in person or by proxy at a separate general meeting of the holders of the Class B Preferred Securities convened for that purpose (which will be called at the request of any holder of a Class B Preferred Security entitled to vote thereon) or by a consent in writing adopted by holders of a majority in liquidation preference amount of the Class B Preferred Securities entitled to vote thereon. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination:

- (i) the Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods; and
- (ii) the Bank is in compliance with its obligations under the Support Undertaking.

Any such Independent Enforcement Director may be removed at any time, with or without cause by (and will not be removed except by) the vote of holders of a majority in liquidation preference amount of the Class B Preferred Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Class B Preferred Securities, called for that purpose. If the office of the Independent Enforcement Director becomes vacant at any time during which the holders of a majority in liquidation preference amount of the Class B Preferred Securities are entitled to appoint an Independent Enforcement Director, the holders of a majority in liquidation preference amount of the Class B Preferred Securities will appoint an Independent Enforcement Director as provided above.

The Independent Enforcement Director will be an additional member of the Board of Directors referred to above and will have the sole authority, right and power to enforce and settle any claim of the Company under the Support Undertaking. However, the Independent Enforcement Director will have no right, power or authority to participate in the management of the business and affairs of the Company by the Board of Directors except for:

- actions related to the enforcement of the Support Undertaking on behalf of the holders of the Class B Preferred Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Class B Preferred Securities.

No director, including the Independent Enforcement Director, will be a resident of, or have his customary place of abode in, the Federal Republic of Germany.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of the holders of at least 66 2/3% in liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates, other than the Trust),

- (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities,
- (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities, or
- (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under “– Mergers, Consolidations and Sales.”

The Company will not, without the unanimous consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional equity securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company *provided, however*, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Notwithstanding that holders of the Class B Preferred Securities may become entitled to vote or consent under any of the circumstances described in the LLC Agreement or in the by-laws of the Company (the “**Bylaws**”), any of the Class B Preferred Securities that are owned by the Bank, the Company or any of their respective affiliates (other than the Trust), either directly or indirectly, will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Class B Preferred Securities purchased or acquired by the Bank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Class B Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of the Bank), excluding the Trust, to whom the Bank or any of its subsidiaries or affiliates have pledged Class B Preferred Securities may vote or consent with respect to such pledged Class B Preferred Securities to the extent permitted by the terms of such pledge.

#### ***Redemption of the Class B Preferred Securities***

The Class B Preferred Securities are redeemable at the option of the Company, in whole but not in part, on any Capital Payment Date falling on or after the Initial Redemption Date at the Redemption Price plus Additional Amounts, if any. The Company will also have the right, at any time, to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event (x) at the Redemption Price, in the case of a Gross-up Event or (y) upon the occurrence of any other Company Special Redemption Event, the Early Redemption Price, plus, in each case, Additional Amounts, if any.

No redemption of the Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- (i) the Company has sufficient funds (by reason of the Debt Securities, Permitted Investments or the Support Undertaking) to pay the Redemption Price or the Early Redemption Price, as the case may be, and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus, Additional Amounts, if any;
- (ii) the Debt Securities have been redeemed;
- (iii) the Bank has an amount of Distributable Profits at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date or the excess, if any, of the Make-Whole Amount over the aggregate liquidation preference amount of the Class B Preferred Securities, as applicable, plus Additional Amounts, if any; and
- (iv) no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Securities, if any).

In the event that payment of any redemption price in respect of any Class B Preferred Securities is improperly withheld or refused and not paid, Capital Payments on such Class B Preferred Securities will continue to accrue from the Redemption Date to the date of actual payment of such redemption price.

Any redemption of the Class B Preferred Securities, whether on a Capital Payment Date on or after the Initial Redemption Date or upon the occurrence of a Company Special Redemption Event, will not require the vote or consent of any of the holders of the Class B Preferred Securities.

### ***Redemption Procedures***

Notice of any redemption of the Class B Preferred Securities (a "**Redemption Notice**") will be given by the Board of Directors on behalf of the Company by mail to the record holder of each Class B Preferred Security to be redeemed not fewer than 30 days before the date fixed for redemption, or such other time period as may be required by the relevant regulatory authorities. For purposes of the calculation of the Redemption Date and the dates on which notices are given pursuant to the LLC Agreement, a Redemption Notice will be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to holders of the Class B Preferred Securities. Each Redemption Notice will be addressed to the holders of the Class B Preferred Securities at the address of each such holder appearing in the books and records of the Company. No defect in the Redemption Notice or in the mailing thereof with respect to any holder will affect the validity of the redemption proceedings with respect to any other holder.

If the Company gives a Redemption Notice (which notice shall be irrevocable) by 9:00 a.m., Central European time, on the Redemption Date, the Company, if the Class B Preferred Securities are in book-entry only form with Euroclear or Clearstream, will deposit irrevocably with Euroclear or Clearstream funds sufficient to pay the Redemption Price and will give Euroclear or Clearstream irrevocable instructions and authority to pay the redemption price in respect of the Class B Preferred Securities held through Euroclear or Clearstream, or if the Class B Preferred Securities are held in definitive form, will deposit with the Principal Paying Agent funds sufficient to pay the applicable redemption price and will give to the Principal Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities, upon surrender of their certificates, by check, mailed to the address of the relevant holder of the Class B Preferred Securities appearing on the books and records of the Company on the Redemption Date.

However, for so long as the Property Trustee holds the Class B Preferred Securities for the benefit of the holders or beneficial owners of the Trust Preferred Securities and the holder of the Trust Common Security, payment will be made by wire in same day funds to the holder of the Class B Preferred Securities by 9:00 a.m., Central European time, on the Redemption Date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of payment, all rights of the holders of the Class B Preferred Securities so called for redemption will cease, except the right of the holders to receive the redemption price, but without interest on the redemption price,



and from and after the date fixed for redemption, such Class B Preferred Securities will not accrue Capital Payments or bear interest.

If any Redemption Date that occurs before the Reset Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof. If any Redemption Date that occurs on or after the Reset Date falls on a day that is not a Business Day, such Redemption Date shall be postponed to the next succeeding Business Day, unless it would thereby fall into the next calendar month, in which case such Redemption Date shall be the immediately preceding Business Day.

#### ***Repurchase of Class B Preferred Securities.***

The Company may, subject to the LLC Act, from time to time repurchase or otherwise receive for cancellation outstanding Class B Preferred Securities from the Trust on such terms as an officer designated by the Board of Directors determines; *provided* that (i) so long as Trust Preferred Securities of the Trust are outstanding, the Trust has repurchased or otherwise received for cancellation Trust Preferred Securities in a like aggregate Liquidation Preference Amount, on the same terms (including payment of capital payments at the stated rate through the same date) as the Class B Preferred Securities being repurchased, (ii) the Bank has repurchased or otherwise cancelled an aggregate principal amount of the Initial Debt Securities equal to the aggregate liquidation preference amount of the Class B Preferred Securities being repurchased or cancelled on the same terms (including payment of accrued interest on the Initial Debt Securities through the same date), as the repurchase or cancellation of the Class B Preferred Securities and (iii) the Bank, the Trust and the Company have received all governmental authorizations required in connection with such transactions. All Class B Preferred Securities so repurchased or otherwise received will be cancelled and no longer deemed to be outstanding.

#### **Liquidation Distribution**

Upon liquidation of the Company, the holder of the Class A Preferred Security has a claim senior to that of the holders of the Class B Preferred Securities, and the holders of the Class B Preferred Securities have a claim senior to that of the holder of the Company Common Security; *provided* that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. The holder of the Class A Preferred Security will be entitled to receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Class B Preferred Securities will, subject to the limitations described below, be entitled to receive the liquidation preference amount of such Class B Preferred Securities, plus, in each case, accrued and unpaid Capital Payments in respect of the current Capital Payment Period to, but excluding the date of liquidation, dissolution or winding up, and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Support Undertaking. The holders of the Class B Preferred Securities will be entitled to receive their liquidation distribution before any distribution of assets is made to the holder of the Company Common Security. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

#### **Mergers, Consolidations and Sales**

The Company may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Company may, with the consent of the holders of the Class B Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, *provided* that:



- such successor entity either expressly assumes all of the obligations of the Company under the Class B Preferred Securities or substitutes for the Class B Preferred Securities other securities having substantially the same terms as the Class B Preferred Securities (the “**Company Successor Securities**”) so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Class A Preferred Security or any successor Class A Preferred Security to the same extent that the Class B Preferred Securities rank junior to the Class A Preferred Security;
- the Bank expressly acknowledges such successor entity as the holder of the Debt Securities and holds, directly or indirectly, all of the voting securities (within the meaning of Rule 3a-5 under the 1940 Act) of such successor entity;
- such consolidation, amalgamation, merger or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Class B Preferred Securities (including any Company Successor Securities) in any material respect;
- such successor entity has a purpose substantially identical to that of the Company;
- prior to such consolidation, amalgamation, merger or replacement, the Company has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that:
  - such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes,
  - such consolidation, amalgamation, merger or replacement would not cause the Trust to be classified as other than a grantor trust for U.S. federal income tax purposes,
  - following such consolidation, amalgamation, merger or replacement, such successor entity will not be required to register under the 1940 Act, and
  - such consolidation, amalgamation, merger or replacement will not adversely affect the limited liability of the holders of the Class B Preferred Securities; and
- the Bank provides an undertaking to the successor entity under the Company Successor Securities equivalent to that provided by the Support Undertaking with respect to the Class B Preferred Securities.

### **Book-entry and Settlement**

If the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust, the Company and the Bank will use reasonable efforts to arrange for the Class B Preferred Securities to be issued in the form of one or more global certificates (each a “**Global Security**”) registered in the name of the nominee of Euroclear and Clearstream. As of the date of this Prospectus, the description herein of Euroclear and Clearstream’s book-entry system and practices as they relate to purchases, transfers, notices and payments with respect to the Trust Preferred Securities will apply in all material respects to any Class B Preferred Securities represented by one or more Global Securities.

### **Registrar and Transfer Agent**

Deutsche Bank Aktiengesellschaft, Frankfurt am Main, will also act as the registrar and transfer agent for the Class B Preferred Securities, the Class A Preferred Certificate and the Common Security. Registration of transfers of the Class B Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the transfer agent for the Class B Preferred Securities may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Class B Preferred Securities have been called for redemption, the transfer agent for the Class B Preferred Securities will not be required to register or cause to be registered the transfer of the Class B Preferred Securities.

## **Governing Law**

The LLC Agreement and the Class B Preferred Securities will be governed by, and construed in accordance with, the laws of the State of Delaware, United States of America.

## **Miscellaneous**

The Board of Directors is authorized and directed to conduct the affairs of the Company in such a way that (i) the Company will not be deemed to be required to register under the 1940 Act, and (ii) the Company will not be treated as an “association” or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for U.S. federal income tax purposes. In this connection, the Board of Directors is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board of Directors determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Class B Preferred Securities.

The Class B Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the Code, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

## DESCRIPTION OF THE SUPPORT UNDERTAKING

The following summary sets forth the material terms and provisions of the Support Undertaking. This summary is qualified in its entirety by reference to the terms and provisions of such agreement, which is included herein as Appendix A.

The Bank and the Company will enter into the Support Undertaking prior to the issuance of the Class B Preferred Securities, pursuant to which the Bank will undertake that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities and payments due upon redemption of the Class B Preferred Securities (plus, in each case, Additional Amounts thereon, if any) and (ii) in liquidation or dissolution of the Company, the Company will have sufficient funds to pay the liquidation preference amounts of the Class B Preferred Securities, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the date of liquidation or dissolution, and Additional Amounts, if any. The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar instruments of any other affiliated entity that would rank senior in any regard to the Support Undertaking, unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement. So long as any Class B Preferred Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Class B Preferred Securities except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

**The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.**

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussrechte*)), will rank at least *pari passu* with each class of the most senior ranking preference shares, if any, that rank senior to the interests in the endowment capital (*Grundkapital*) of the Bank as to liquidation rights and with other instruments of the Bank qualifying as Tier I regulatory capital, and will rank senior to any other preference shares and interests in the endowment capital (*Grundkapital*) of the Bank.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Class B Preferred Securities for the benefit of the holders of the Trust Securities, the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities (and, accordingly, the holders of the Trust Preferred Securities representing Class B Preferred Securities acting through the Property Trustee) will have the right to appoint the Independent Enforcement Director, who will be required to enforce the rights of the Company under the Support Undertaking.

All payments under the Support Undertaking will be distributed by the Company *pro rata* to holders of the Class B Preferred Securities until the holders of the Class B Preferred Securities receive the full amount payable under the Class B Preferred Securities. So long as the Trust holds Class B Preferred Securities, the Property Trustee will distribute such payments received by the Trust to the holders of the Trust Preferred Securities *pro rata*.

The Support Undertaking will be governed by the laws of the Federal Republic of Germany.

## DESCRIPTION OF THE INITIAL DEBT SECURITIES

*The following summary sets forth the material terms and provisions of the Initial Debt Securities. This summary is qualified in its entirety by reference to the terms and provisions of the Initial Debt Securities.*

### General

The Principal Amount of the Initial Debt Securities will be U.S.\$ 850,027,000 and will be equal to the sum of the aggregate liquidation preference amount of the Class B Preferred Securities plus certain amounts contributed by the Bank in return for the Class A Preferred Security and the Company Common Security. The proceeds from the issuance of the Class B Preferred Securities, together with the U.S.\$ 1,000 contributed by the Bank in return for the Class A Preferred Security and U.S.\$ 25,000 contributed by the Bank for the Company Common Security, will be used by the Company to purchase the Initial Debt Securities. The purchase of the Initial Debt Securities will occur contemporaneously with the issuance of the Class B Preferred Securities. The Initial Debt Securities will not be listed on any stock exchange.

The Initial Debt Securities will consist of an issue of subordinated notes issued by the Bank, which will mature on May 31, 2037 (the “**Maturity Date**”); *provided, however*, that the Initial Debt Securities will not include any obligation of the Bank shown as a liability on the books of a U.S. branch of the Bank.

Interest will accrue on the Principal Amount of the Initial Debt Securities (i) for each Interest Payment Period ending prior to the Reset Date, at a rate at least equal to the Fixed Rate, payable annually in arrears on each Fixed Rate Payment Date and (ii) for each Interest Payment Period commencing on or after the Reset Date, at a rate at least equal to the Floating Rate, payable quarterly in arrears on each Floating Rate Payment Date. For each Interest Payment Period ending prior to the Reset Date, interest will be calculated on the basis of the actual number of days elapsed, divided by the actual number of days (365 or 366) in the relevant Interest Payment Period. For each Interest Payment Period beginning on or after the Reset Date, interest will be calculated on the basis of the actual number of days elapsed in a 360-day year.

If any Interest Payment Date or any Debt Redemption Date that occurs before the Reset Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof. If any Interest Payment Date or any Debt Redemption Date that occurs on or after the Reset Date falls on a day that is not a Business Day, such Interest Payment Date or Debt Redemption Date shall be postponed to the next succeeding Business Day, unless it would thereby fall into the next calendar month, in which case such Interest Payment Date or Debt Redemption Date shall be the immediately preceding Business Day.

Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes imposed by the Federal Republic of Germany or the jurisdiction of residence of any obligor of the Debt Securities or any other jurisdiction from which such payment is made or, in each case, any political subdivision or authority therein or thereof unless such deduction or withholding is required by law. In such event, the Bank or any other obligor will pay Additional Interest Amounts as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided* that the obligation of the Bank or such obligor to pay such Additional Interest Amounts will not apply:

- with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any

provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities.

The Initial Debt Securities will not be redeemable prior to May 31, 2017, except as set forth below. Subject to having obtained any required regulatory approvals, the Bank may cause the redemption of the Initial Debt Securities in whole but not in part prior to May 31, 2017, upon (i) the occurrence of a Company Special Redemption Event and the election of the Company to redeem the Class B Preferred Securities and (ii) at least 30 days' prior notice, at a redemption price equal to (x) the Principal Amount of the Initial Debt Securities in the case of a Gross-Up Event or (y) upon the occurrence of any other Company Special Redemption Event, at the greater of (A) the Principal Amount of the Initial Debt Securities or (B) the Debt Make-Whole Amount plus, in each case, accrued and unpaid interest and Additional Interest Amounts, if any. Exercise of the Bank's redemption right, as described below, is conditioned upon replacement of the Principal Amount to be redeemed by paying in other, at least equivalent own funds (*haftendes Eigenkapital*) within the meaning of the German Banking Act (*Kreditwesengesetz*), or prior approval of the BaFin of such early redemption.

Subject to having obtained any required regulatory approvals, the Bank may also, at its option, redeem the Initial Debt Securities, in whole but not in part, on any Interest Payment Date on or after the Initial Debt Redemption Date, upon at least 30 days' prior notice, *provided* that the Company is permitted under the LLC Agreement and has elected to redeem the Class B Preferred Securities. Such redemption of the Initial Debt Securities will be at a redemption price at least equal to the Principal Amount plus any accrued and unpaid interest up to, but excluding, the Debt Redemption Date and Additional Interest Amounts, if any.

In the event of any default in payment or the default in performance of any other covenant of the Bank on the Initial Debt Securities, the Company will enforce its rights for payment of any overdue amounts, but will not be able to accelerate the maturity of the Initial Debt Securities.

### **Subordination**

The Initial Debt Securities constitute direct, unconditional, unsecured and subordinated obligations of the Bank ranking *pari passu* with all other subordinated obligations of the Bank. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, the Bank, such obligations will be subordinated to the claims of all unsubordinated creditors of the Bank so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Bank shall have been satisfied in full.

The Company, as the holder of the Initial Debt Securities, will also agree by its acceptance thereof that it waives any rights it may have to set off claims under the Initial Debt Securities against claims the Bank may have against it. Pursuant to § 10, subparagraph (5a) of the German Banking Act (*Kreditwesengesetz*), if the Bank repurchases or repays the Initial Debt Securities prior to a date on which such repurchase or repayment is permitted under the terms thereof, notwithstanding any agreements to the contrary, any amounts so paid to a holder of the Initial Debt Securities must be returned to the Bank unless the Principal Amount is replaced with at least equivalent own funds (*haftendes Eigenkapital*) or prior approval of the BaFin has been granted.

The obligations of the Bank under the Initial Debt Securities may not be secured by any lien, security interest or other encumbrance on any property of the Bank or any other person and, except as permitted by applicable law, the Bank will not, directly or indirectly, acquire for its own account, finance for the account of any other person the acquisition of, or accept as security for any obligation owed to it, any of the Initial Debt Securities. The Bank is also prohibited from amending the terms of the Initial Debt Securities to limit the subordination provisions or change the Initial Redemption Date to an earlier date.

## Substitution

At any time, the Bank will have the right to (i) substitute as obligor of the Debt Securities any Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities issued by the Bank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (including on behalf of a branch other than a U.S. branch, but excluding a subsidiary organized under the laws of the United States of America or any of its states), in each case, with identical terms to those of the Initial Debt Securities; *provided*, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event, (b) the Bank, unless it itself is the substitute obligor, guarantees on a subordinated basis that ranks at least *pari passu* with the Initial Debt Securities the obligations of the substitute obligor (as provided below), and (c) the Bank has obtained any required regulatory approvals.

In the event that the Bank is not the substitute obligor, the Bank shall guarantee the principal of and interest on the Substitute Debt Securities. The obligations of the Bank under such guarantee will be subordinated in the event of liquidation of the Bank to all obligations of the Bank that are not subordinated. All payments by the Bank under such guarantee will be made by the Bank without withholding or deduction for Withholding Taxes unless such deduction or withholding is required by law. In such event, the Bank or any other obligor will pay Additional Interest Amounts as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided* that the obligation of the Bank or such obligor to pay such Additional Interest Amounts shall not apply:

- with respect to any amounts of Withholding Taxes that are payable by reason of the holder of the Substitute Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Substitute Debt Securities;
- with respect to any amounts of Withholding Taxes if such deduction or withholding is required to be made pursuant to (i) any European Union Directive on the taxation of savings (including the Directive adopted on June 3, 2003), (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding;
- with respect to any amounts of Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Substitute Debt Securities.

## Redemption and Reinvesting of Proceeds

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest the net proceeds from the repayment of the Debt Securities in Permitted Investments. The Company will attempt to purchase Permitted Investments on terms that are the best available in relation to providing funds for the payment of Capital Payments and the redemption of the Class B Preferred Securities:

- debt obligations of one or more Qualified Subsidiaries, unconditionally guaranteed by the Bank (which may act through a non-German branch), on a basis that ranks at least *pari passu* with the Initial Debt Securities or
- in United States Treasury securities.

## Governing Law

The Initial Debt Securities will be governed by the laws of the Federal Republic of Germany.



# BAYERNLB CAPITAL TRUST I

## General

BayernLB Capital Trust I is a statutory trust formed under the Trust Act, pursuant to the trust agreement executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on September 25, 2006. Such trust agreement will be amended and restated in its entirety prior to the issuance of the Trust Preferred Securities to reflect the terms of the Trust Preferred Securities (as so amended and restated, the "**Trust Agreement**"). The place of registration and location of the principal executive office of the Trust is c/o Deutsche Bank Trust Company Delaware, BayernLB Capital Trust I, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America, phone +1-(302) 636-3301.

A BayernLB Group Company will be the holder of the Trust Common Security representing a capital contribution in respect thereof equal to U.S.\$ 1,000. The Trust Common Security will rank *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that in liquidation and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security," the rights of the holder of the Trust Common Security to periodic distributions and to payments and distributions upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Trust Preferred Securities.

## Purpose

The Trust will use the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The sole purposes of the Trust are to (i) issue the Trust Securities representing undivided beneficial ownership interests in the Class B Preferred Securities, (ii) invest the proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engage in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities, *provided* it receives from the Company an equal number of additional Class B Preferred Securities.

## Trustees

Pursuant to the Trust Agreement, there will be five trustees (the "**Trustees**") of the Trust. Three of the Trustees will be individuals who are employees or officers of the Deutsche Bank Trust Company Delaware mandated by the Bank to provide such services (the "**Regular Trustees**"). The fourth Trustee, the "**Property Trustee**," will be a financial institution that is unaffiliated with the Bank. The fifth Trustee will be the "**Delaware Trustee**." Deutsche Bank Trust Company Americas, a New York banking corporation, will act as Property Trustee, and Deutsche Bank Trust Company Delaware, a Delaware banking corporation, will act as Delaware Trustee. The Trustees will perform their duties, until, in each case, they are removed or replaced by the holder of the Trust Common Security. The initial Regular Trustees will be Elizabeth B. Ferry, David Dwyer and J. Bruce Herd. The Trustees have no conflict of interest between their duty to the Trust and/or their private interest and/or other duties. The address of all Regular Trustees is the principal executive office of the Trust, c/o Deutsche Bank Trust Company Delaware, BayernLB Capital Trust I, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America.

## Assets

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement.

## **Property Account**

In addition, the Property Trustee will maintain exclusive control of the Property Account to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities. A BayernLB Group Company, as the holder of the Trust Common Security, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, *provided* that at least one Trustee will be the Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be a Regular Trustee.

## **Covenants of the Bank in relation to the Trust**

For so long as the Trust Preferred Securities remain outstanding, the Bank will covenant (i) that the Trust Common Security will be held by a BayernLB Group Company, (ii) to cause the Trust to remain a statutory trust, (iii) to use its commercially reasonable efforts to ensure that the Trust will not be classified as other than a grantor trust for U.S. federal income tax purposes and (iv) to the fullest extent permitted by law, not to permit the dissolution, liquidation, termination or winding-up of the Trust, unless a Trust Special Redemption Event or a Company Special Redemption Event occurs, or the Company is itself in liquidation and the regulatory approvals necessary therefor have been obtained.

## **Voting Rights**

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See "Description of the Trust Securities."

Under the services agreement among the Trust, the Company, the Bank and the Servicer (the "**Services Agreement**"), the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

## **Legal Proceedings**

The Trust is not currently and has not been since its formation the subject of any legal proceedings, which might have an impact on the Trust's financial situation for the future.

## **Material Contracts**

Other than the agreements in connection with the Transaction, the Trust has not entered into any material contracts that are not entered into in the ordinary course of the Trust's Business.

## **Offices of the Property Trustee and the Delaware Trustee**

The location of the offices of the Property Trustee is Deutsche Bank Trust Company Americas, 60 Wall Street – MSNYC60-2710, New York, New York 10005, United States of America. The location of the offices of the Delaware Trustee is Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington, Delaware 19805, United States of America.

## **Financial Year**

The financial year of the Trust corresponds to the calendar year. Unless required by applicable law or regulations, the accounts of the Trust will not be audited.

## Financial Statements and Capitalization

The Trust has not prepared an opening balance because it has not engaged in any business activities before the consummation of the sale of the Trust Preferred Securities and, therefore, any information to be included in an opening balance sheet other than the information included in the following capitalization table of the Trust, would be of minor importance for the offer of the Trust Preferred Securities and would not influence the assessment of the financial position and prospects of the Trust as set out in Art. 10(2)(c) of the Luxembourg Law on Prospectuses for Securities.

The following table sets forth the capitalization of the Trust as of the date hereof and as adjusted to reflect the consummation of the sale of the Trust Preferred Securities and the use of the proceeds therefrom as described under “General Information – Use of Proceeds.”

### Capitalization of the Trust

	March 9, 2007	
	Actual	As Adjusted
	(U.S.\$ in thousands)	
<b>Debt</b>		
Total debt . . . . .	0	0
<b>Securityholders’ interests</b> . . . . .	0	850,000
Trust Preferred Securities; none issued and outstanding, actual; and 850,000 securities authorized, 850,000 securities issued and out- standing, as adjusted . . . . .	0	850,001
Trust Common Security; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common Security issued and outstanding, as adjusted . . . . .	0	1
Total securityholders’ interests . . . . .	<u>0</u>	<u>850,001</u>
<b>Total capitalization</b> <sup>(1)</sup> . . . . .	<u>0</u>	<u>850,001</u>

(1) There has been no material change in the capitalization of the Trust since its creation, except as disclosed in the above table.

## BAYERNLB CAPITAL LLC I

### General

BayernLB Capital LLC I is a limited liability company that was formed under the LLC Act on September 25, 2006 pursuant to an initial limited liability company agreement (as subsequently amended and restated, the "**LLC Agreement**") and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100% of the issued and outstanding Class B Preferred Securities for the benefit of the holders and beneficial owners of the Trust Securities. A BayernLB Group Company will hold the issued and outstanding Company Common Security and the Class A Preferred Security.

### Purpose

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (including on behalf of a branch other than a U.S. branch) or by a Qualified Subsidiary (other than a U.S. Qualified Subsidiary) (including on behalf of a branch other than a U.S. branch) in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

### Covenants under the LLC Agreement

For so long as the Class B Preferred Securities remain outstanding, the LLC Agreement provides that: (i) the Company will remain a limited liability company and, to the fullest extent permitted by law, will not voluntarily or involuntarily liquidate, dissolve, wind up or be terminated, except as permitted by the LLC Agreement; (ii) the Bank and the Company will use commercially reasonable efforts to ensure that the Company will not be an association or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes; (iii) the Bank undertakes that a BayernLB Group Company will maintain sole ownership of the Company Common Security and the Class A Preferred Security; and (iv) a BayernLB Group Company may transfer the Company Common Security or the Class A Preferred Security only to another BayernLB Group Company, *provided* that prior to such transfer it has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that (A) the Company will continue to be treated as a partnership, and not as an association or publicly traded partnership taxable as a corporation, for U.S. federal income tax purposes, (B) such transfer will not cause the Company to be required to register

under the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the Class B Preferred Securities.

### **Voting Rights**

The rights of the holders of the Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the Company Securities – Class B Preferred Securities.”

### **Board of Directors; Independent Enforcement Director**

The Company’s business and affairs will be conducted by its Board of Directors, which initially will consist of four members, elected by the Bank as initial holder of the Company Common Security. However, in the event that:

- the Company fails to pay Capital Payments (including any Additional Amounts thereon, if any) as and when due on the Class B Preferred Securities at the Stated Rate in full for two consecutive Capital Payment Periods; or
- a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of a majority in liquidation preference amount of the Class B Preferred Securities will have the right to appoint an Independent Enforcement Director. The Independent Enforcement Director’s term will end if, in such Independent Enforcement Director’s sole determination, Capital Payments have been made on the Class B Preferred Securities at the Stated Rate in full for two consecutive Capital Payment Periods and the Bank is in compliance with its obligations under the Support Undertaking.

### **Amendments to the LLC Agreement**

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66 $\frac{2}{3}$ % in liquidation preference amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates, other than the Trust), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities, or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, *provided* that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under “Description of the Company Securities – Mergers, Consolidations and Sales.”

### **Further Issues**

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking senior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company, *provided, however,* that the Company may, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

## **Permitted Investments**

After the Maturity Date of the Initial Debt Securities, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will select for purchase Permitted Investments on terms that are the best available in relation to providing funds for the payment of Capital Payments, any Additional Amounts and the redemption price of the Class B Preferred Securities:

- debt obligations of one or more Qualified Subsidiaries of the Bank, unconditionally guaranteed by the Bank on a subordinated basis that rank at least *pari passu* with the Initial Debt Securities, or
- United States Treasury securities,

*provided*, in each case, that such investment does not result in a Company Special Redemption Event.

## **Services Agreement**

The Company will also enter into the Services Agreement with the Trust, the Bank and the Servicer, under which the Servicer will be obligated, among other things, to provide tax and other administrative services to the Company and the Trust. The fees and expenses of the Trust and the Company, including any taxes, duties, assessments or governmental charges of whatever nature (other than Withholding Taxes) imposed by the Federal Republic of Germany, the United States of America or any other taxing authority upon the Company or the Trust, the fees and expenses of the Servicer, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Company.

## **Support Undertaking**

The holders of the Class B Preferred Securities are third-party beneficiaries of the Support Undertaking between the Bank and the Company. See "Description of the Support Undertaking."

## **Legal Proceedings**

The Company is not currently and has not been since its formation the subject of any legal proceedings, which might have an impact on the Company's financial position for the future.

## **Material Contracts**

Other than the agreements in connection with the Transaction, the Company has not entered into any material contracts that are not entered into in the ordinary course of the Company's Business.

## **Directors; Principal Executive Office of the Company**

The initial directors of the Company will be Elizabeth B. Ferry, Edward A. Reznick, J. Bruce Herd and David Dwyer. The initial officers of the Company will be Elizabeth B. Ferry, Edward A. Reznick, J. Bruce Herd and David Dwyer. The location of the principal executive offices of the Company is c/o Deutsche Bank Trust Company Delaware, 1011 Centre Road, Suite 200, Wilmington Delaware, 19805.

## **Financial Year**

The financial year of the Company corresponds to the calendar year.



## Capitalization

The following table sets forth the capitalization of the Company as of the date hereof and as adjusted to reflect the consummation of the sale of the Trust Preferred Securities and the use of the proceeds therefrom as described under "General Information – Use of Proceeds."

### Capitalization of the Company

	March 9, 2007	
	Actual	As Adjusted
	(U.S.\$ in thousands)	
<b>Debt</b>		
Total long-term debt . . . . .	0	0
<b>Securityholders' equity</b>		
Class B Preferred Securities; none issued and outstanding, actual; and 850,001 Class B Preferred Securities authorized, 850,001 Class B Preferred Securities issued and outstanding, as adjusted	0	850,001
Class A Preferred Security; none issued and outstanding, actual; and 1 Class A Preferred Security authorized, 1 Class A Preferred Security issued and outstanding, as adjusted . . . . .	0	1
Company Common Security, none issued and outstanding, actual; and 1 Company Common Security authorized, 1 Company Common Security issued and outstanding, as adjusted . . . . .	0	25
Total securityholders' interests . . . . .	<u>0</u>	<u>850,027</u>
<b>Total capitalization</b> <sup>(1)</sup> . . . . .	<u><u>0</u></u>	<u><u>850,027</u></u>

(1) There has been no material change in the capitalization of the Company since its formation, except as disclosed in the above table.

## TIER I CAPITAL AND CAPITAL ADEQUACY

The Bank expects to treat the Class B Preferred Securities as consolidated Tier I regulatory capital for purposes of measuring regulatory capital adequacy, subject to any volume limitations imposed by the BaFin on hybrid capital instruments (such as the Class B Preferred Securities).

Regulatory capital adequacy is monitored by the BayernLB Group on the basis of the German Banking Act (*Kreditwesengesetz*) and the principles on regulatory banking capital issued thereunder.

The capital ratios under the German Banking Act (*Kreditwesengesetz*) compare a bank's regulatory capital with its counterparty and market risk. Counterparty risk is measured by assets and off-balance sheet exposures weighted according to broad categories of relative credit risk. The counterparty risk of derivatives is marked to market daily.

A bank's regulatory capital is divided into three tiers (Tier I capital, Tier II capital and Tier III capital). Tier I capital consists primarily of share capital and reserves. Certain hybrid capital instruments (such as the Class B Preferred Securities) have been accepted by the BaFin as Tier I capital on a consolidated basis. Tier II capital consists primarily of participatory capital, long-term subordinated liabilities and revaluation reserves for listed securities. Tier III capital is made up mainly of short-term, subordinated liabilities. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position, and the minimum BIS core (Tier I) capital ratio is 4% of the risk position. Under the guidelines set forth by directives of the Bank for International Settlements ("**BIS**"), the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital and total Tier II capital is limited to 100% of Tier I capital.

For further information, see "BayernLB Group – Banking Regulation and Supervision in the Federal Republic of Germany."

## CAPITALIZATION OF THE BANK AND BAYERNLB GROUP

The following tables show the unaudited consolidated and unaudited capitalization of the Bank as of June 30, 2006, as well as the regulatory capital in accordance with the German Banking Act. For information on the financial condition of the Bank as of June 30, 2006, refer to the Financial Statements incorporated by reference, see "Financial Statements – Incorporation by Reference."

### Capitalization

	30th June, 2006 (unaudited)		Adjusted to show the completion of the Offering	
	Bank	Group	Bank	Group
(€ in millions)				
Amounts owed to other banks . . . . .	107,222	129,359	107,222	129,359
Amounts owed to customers . . . . .	56,945	77,385	56,945	77,385
Securitized liabilities. . . . .	97,741	106,666	97,741	106,666
	<u>261,908</u>	<u>313,410</u>	<u>261,908</u>	<u>313,410</u>
<b>Equity/Hybrid Capital</b>				
Nominal capital . . . . .	1,693	1,693	1,693	1,693
Profit-participation certificates . . . . .	2,218	2,366	2,218	2,366
Capital contributions of silent partners . . . . .	2,703	3,018	2,703	3,018
Subordinated liabilities. . . . .	3,539	4,184	4,208 <sup>(1)</sup>	4,853 <sup>(1)</sup>
Capital reserve. . . . .	876	876	876	876
Fund for general banking risks. . . . .	50	165	50	165
Minority shareholders. . . . .	–	250	–	250
	<u>11,079</u>	<u>12,552</u>	<u>11,748</u>	<u>13,221</u>
<b>Revenue reserves</b>				
Statutory reserve. . . . .	1,268	1,268	1,268	1,268
Other reserves. . . . .	2,512	2,783	2,512	2,783
	<u>3,780</u>	<u>4,051</u>	<u>3,780</u>	<u>4,051</u>
<b>Total equity</b> . . . . .	<u>14,859</u>	<u>16,603</u>	<u>15,528</u>	<u>17,272</u>
<b>Total capitalization</b> . . . . .	<u>276,767</u>	<u>330,013</u>	<u>277,436</u>	<u>330,682</u>
<b>Contingent liabilities</b> . . . . .	17,226	19,100	17,226	19,100
<b>Other obligations</b> . . . . .	55,464	60,512	55,464	60,512

<sup>(1)</sup> Includes U.S.\$ 850 million converted into € according to the fix-rate of the ECB as per June 30, 2006 (1.2713 U.S.\$/€).

	30th June, 2006	Adjusted to show the completion of the Offering
	(€ in millions) <sup>(1)</sup>	
<b>Regulatory capital ratios of BayernLB Group pursuant to German Banking Act</b>		
Risk Assets as per Principle I . . . . .	150,330	150,330
Own funds . . . . .	15,798	16,466
Of which core capital. . . . .	9,684	10,352
Own funds ratio . . . . .	10.5 %	11.0 %
Core capital ratio. . . . .	7.5 %	8.0 %

<sup>(1)</sup> Includes capital increase € 320 million as per July 1, 2006.

# BAYERNLB GROUP

## General Information on Bayerische Landesbank

The legal name of the Bank is Bayerische Landesbank and the Bank's advertising name is BayernLB.

The Bank is registered with the Commercial Register (*Handelsregister*) of the local court of Munich (*Amtsgericht München*) under HRA 76030.

The Bank was established by the merger of Bayerische Landesbodenkreditanstalt (founded in 1884), the state financial institution responsible for financing projects of the Free State of Bavaria, and Bayerische Gemeindebank (Girozentrale) Öffentliche Bankanstalt (founded in 1914) by the Act on the Establishment of the Bayerische Landesbank Girozentrale (*Gesetz über die Errichtung der Bayerischen Landesbank Girozentrale*) of June 27, 1972 for an unlimited duration.

The Bank is a German public law financial institution established under the laws of the Federal Republic of Germany; the Statutes of Bayerische Landesbank (*Satzung der Bayerischen Landesbank*) authorize the Bank to provide universal financial services including both commercial and investment banking as well as brokerage activities.

The Bank has its seat in Munich. The head office is located at Brienner Strasse 18, D-80333 Munich, Federal Republic of Germany (tel. (+49)(0)89-2171-0).

## Business Overview

### *Business of the Bank*

Bayerische Landesbank has positioned itself as a bank that focuses on core regions and collaborates closely with the Bavarian savings banks and other partners of the Savings Banks Financial Group (*Sparkassen-Finanzgruppe*). It is headquartered in the Free State of Bavaria and its business operations are focused on Bavaria and selected business opportunities in Germany as well as growth markets in European countries bordering on Germany. Other core regions include international business and financial centers as well as important fast-growing markets in Eastern Europe and Asia.

Bayerische Landesbank is the central bank to the Bavarian savings banks (*Sparkassen*) and an important member of the Savings Banks Financial Group Bavaria (*Sparkassen-Finanzgruppe Bayern*). The Bank provides financial and related services for its partner institutes of the Savings Banks Financial Group Bavaria acting as their network bank. The intensification of joint marketing activities with the Bavarian savings banks is a major aspect of the Bank's business model. For example, the cooperation of the Bank with the Bavarian savings banks was further intensified on the basis of the cooperation agreement concluded in 2004 with the Association of Bavarian Savings Banks.

The Bank functions as principal bank to the Free State of Bavaria, assists the Bavarian municipalities with the execution of their duties and responsibilities and actively supports national and local governments, financial institutions, medium and large companies and real estate customers. The Bank acts as manager for bond issues, treasury functions and development programs of the Free State of Bavaria.

The Hungarian subsidiary MKB Bank Rt. (MKB) is an important factor with respect to the progress of the further implementation of the Bank's Eastern Europe strategy adopted in 2004. MKB successfully acquires business opportunities on the Eastern European markets. To round off the Bank's range of services for its small and medium ("SME") customers in Eastern Europe, a cooperation network was established. Members of the network include major savings banks and the Bank, also local chambers of commerce, auditors, associations and other institutions from local business communities in the target countries.

Key elements of the Bank's revised Asia strategy of 2005 are the support for German companies active in Asia and the extension and acquisition of business with major institutional customers with a local focus on Asia. Competent support is guaranteed by the Bank's foreign entities (*Einheiten*) in Hong Kong and Shanghai as well as the German Centre Shanghai which opened in November 2005.

The stronger retail focus of the Bank is achieved not only by close cooperation with the Bavarian savings banks and by the activities of the legally dependent entities Bayerische Landesbausparkasse (LBS) and Bayerische Landesbodenkreditanstalt (BayernLabo) but also by boosting MKB's business and refining the business model of its DKB subsidiary.

In particular, the business of the Bank consists of commercial banking, in particular long-term lending (loans with an original maturity of four years or more, both retail and wholesale targeted, extended in euro and in various other currencies), and of investment banking and other securities-related activities, including investing in, and underwriting and trading securities for, customers and the Bank's own account and providing asset management, advisory and foreign exchange services. The Bank participates in the foreign currency markets of all major currencies in order to provide foreign exchange services to its corporate clients as well as to the savings banks and their customers. The Bank provides a broad spectrum of portfolio management, investment banking and custodial services to individual, institutional and corporate customers both domestically and abroad. The Bank is a frequent issuer of both mortgage-backed bonds and bonds secured by a public debt pool, as well as unsecured medium-term and long-term bonds in Germany and maintains a large trading staff as well as advanced technical equipment to process stock exchange information, trades and settlements.

The Bank has also supplemented its global presence by cooperations with major international banks, enabling it to offer its customers an extensive range of products and services.

In support of its securities trading activities and its broad range of investment banking services both in Germany and abroad, the Bank offers a variety of primary research and advisory services, technical market analysis and regular reports on market developments of European issuers.

### **Business Areas**

The **Corporates Business Area** operates on a global scale and encompasses all business activities of BayernLB Group with large SME customers and multinationals in Germany and in the core regions of Europe, North America and Asia. Its business activities are based on offering financing solutions tailored to the specific needs of corporate banking and structured finance customers, comprising interest-rate and currency instruments and hand-picked products from the debt and equity markets, and on close, trust-based customer contact.

The **Real Estate Business Area** is responsible for BayernLB Group's real estate financing business worldwide, which also involves managing the commercial business of the real estate subsidiaries. Its customers include investors in commercial property, companies, project developers, real estate funds, institutional investors, residential property developers, housing companies and private customers. Apart from Germany, the target regions are Western, Central and Eastern Europe as well as North America. The Real Estate Business Area helps customers realize their projects with individual products spanning everything from traditional property loans to the various types of structured and complex financing instruments using capital market products.

The **Financial Markets Business Area** executes transactions in securities, deposits, foreign exchange and energy and commodity derivatives for the Bank's customers worldwide. Target customers are savings banks, insurance companies, capital investment companies, corporate customers and multinationals, as well as real estate customers. The Financial Markets Business Area cooperates closely with the Bank's customer segments.

As per July 1, 2006 **Financial Office Support Operations** has been established and is comprised of the Financial, Accounting, Tax and Controlling Division on the one hand and the Treasury and Funding Division on the other hand. The Financial, Accounting, Tax and Controlling Division is responsible for

the preparation of financial statements for the Bank and BayernLB Group, monitoring developments in banking supervision and accounting, supervisory reporting, taxation, group-wide financial reporting and controlling as well as the management of the foreign entities with respect to the division's tasks. Treasury and Funding is responsible for ensuring liquidity as well as adherence to supervisory liquidity principles, manages and monitors all liquidity, interest and currency risks for the European bank books within the given limits and is in charge of the internal pricing of funds for secured and unsecured liquidity and assets serving as cover. The local treasury departments of the foreign entities are coordinated by Treasury and Funding as well. Furthermore, Treasury and Funding is responsible for the Bank's worldwide funding strategy, manages all issuing activities and communicates the funding policy to investors and investment banks. Treasury and funding ensures regular reporting to the Board of Management with respect to the division's tasks.

BayernLB Group's **Financial Institutions and Sovereigns Business Area** manages business relations worldwide with banks, insurance companies and other institutional customers, as well as governments and non-Bavarian municipal customers. This low-risk customer group accounts for a sizeable proportion of BayernLB Group's total portfolio.

The **Savings Banks and Bavarian Market Business Area** is of key importance in the development of the network bank function throughout the BayernLB Group. It ensures that the Bavarian savings banks and their corporate, private and municipal customers are provided with special products designed to suit their needs. It is responsible for the intensive development of the Bavarian target market as part of the cooperative market development together with the Bavarian savings banks. It drives and coordinates the ongoing optimization of cooperation within this framework throughout the Group.

**LBS** is the Bank's Home Loan Division, **BayernLabo** operates in the area of housing as part of its public-sector mandate as development bank of the Free State of Bavaria and administers public assistance programs. Both LBS and BayernLabo are public law institutions within the Bank, but, unlike the Bank, they are not legally independent entities under public law (*rechtlich unselbständige Anstalten des öffentlichen Rechts*).

The **Corporate Services Support Operations** provide internal services worldwide for BayernLB Group's business areas and support operations. The service and support functions encompass trading and securities, accounting, and payment transactions services, also the provision and further development of information and communication technologies and systems employed by the Bank, cross-divisional organizational tasks and general administrative and operational services.

## **Organizational Structure of Bayerische Landesbank**

### ***Foreign entities***

The Bank has foreign entities (*Einheiten*) in London, Paris, Milan, New York, Hong Kong, Luxembourg and Shanghai as well as representative offices in Montreal, Tokyo and Beijing.

### ***Subsidiaries***

The Bank is the parent company of BayernLB Group. The Bank's participations portfolio is subdivided into "Strategic participations" and "Quasi-credit/credit-substituting participations." The main participations that are of strategic significance to BayernLB Group are DKB Deutsche Kreditbank Aktiengesellschaft (DKB), Berlin, Landesbank Saar, Saarbrücken (SaarLB), MKB Bank Rt. (MKB) in Budapest, Banque LB Lux S.A., Luxembourg and LB(Swiss) Privatbank AG, Zurich.

For a more detailed description of BayernLB Group please refer to the audited financial information for the fiscal year 2005 incorporated by reference, see "Financial Statements – Incorporation by Reference."



## **Cooperations**

The Bank is the central bank to the Bavarian savings banks (*Sparkassen*) and a member of the Savings Banks Financial Group Bavaria.

The Bank is a member of the nationwide German Savings Banks Organization (*Deutscher Sparkassen- und Giroverband*) with far more than 400 regional universal banks covering the German retail market and the entire German economy with a close-knit network of branches (*Filialnetz*).

## **Trend Information**

### **Statement of no material adverse change**

Save as disclosed herein, there has been no material adverse change in the prospects of the Bank since the date of its last published audited financial statements on December 31, 2005.

### **Earnings and financial position**

Provisional figures for the 2006 financial year indicate that BayernLB Group's earnings have remained stable and will enable the bank to further strengthen its capital base and reserves. As with the previous financial year, the Bank will use part of the 2006 profits to make a voluntary contribution to its pension funds, thereby satisfying international accounting regulations imposed under IAS/IFRS.

### **International expansion, further broadening of domestic retail business**

The Bank believes that it is well positioned in Eastern Europe through the Hungarian MKB Bank, the acquisitions of MKB Unionbank in Bulgaria and MKB Romexterra Bank in Romania by MKB Bank as well as the expansion of its retail business throughout Hungary and the establishment of two insurance companies in Hungary in 2006. The Bank intends to further expand its position in Eastern Europe to participate in the economic growth in such region. In addition to its expansion in Eastern Europe, the Bank also intends to expand in other countries through its branch network and the cooperation with internationally renowned banks. In addition to its international expansion, the Bank remains focused on further broadening its domestic retail business.

### **Capital increase**

In May 2005, the Free State of Bavaria and the Association of Bavarian Savings Banks adopted a resolution to increase the Bank's endowment capital of then € 1,738,500,000 (of which € 153.495 million was not paid in) by contributions in the total amount of € 640 million, to be paid in two equal tranches on August 1, 2005 and July 1, 2006, with each contributing a share of € 320 million. The Bank's endowment capital now amounts to € 1,800,000,000; the rest of the contributions were transferred to the capital reserves. The capital increase and allocation to revenue reserves resulting from the net income for the fiscal year 2005 – together with the conversion of dated capital contributions of silent partners to undated ones – led to a significant strengthening of BayernLB Group's capital base, and thus constitute key strategic components for financing growth.

### **Landesbank Berlin**

On February 5, 2007, the Bank declared its interest in purchasing the federal state of Berlin's 80.95% share of the listed Landesbank Berlin Holding AG (the "**LBBH**"). As this declaration of interest is not binding, it does not constitute an actual offer. Instead, it serves as a means of obtaining official information about LBBH so as to enable the Bank to investigate the strategic and financial advantages such an offer may provide.

## **Administrative, Management and Supervisory Bodies**

### ***Board of Administration***

The Board of Administration of the Bank consists of the following members:

*Dr. Siegfried Naser (Chairman)*

Executive President of the Association of Bavarian Savings Banks

*Prof. Dr. Kurt Faltlhauser (First Deputy Chairman)*

State Minister

Bavarian State Ministry of Finance

*Hansjörg Christmann (Second Deputy Chairman)*

First President of the Association of Bavarian Savings Banks

Chief District Administrator of the District of Dachau

*Dr. Günther Beckstein (Third Deputy Chairman)*

State Minister

Bavarian State Ministry of the Interior

*Alois Hagl*

Chairman of the Board of Management of Sparkasse im Landkreis Schwandorf

*Erwin Huber*

State Minister

Bavarian State Ministry of Economic Affairs, Infrastructure, Transport and Technology

*Karl-Ludwig Kamprath*

Chairman of the Board of Management of Kreissparkasse München-Starnberg

*Hans Schaidinger*

Lord Mayor of the city of Regensburg

*Georg Schmid*

Permanent Secretary

Bavarian State Ministry of the Interior

*Klaus Weigert*

Deputy Secretary

Bavarian State Ministry of Finance

For each member, a deputy member has been appointed.

The business address of all members of the Board of Administration is c/o Bayerische Landesbank at Brienner Strasse 18, D-80277 Munich, Federal Republic of Germany.

### **Financial Statements Audit Committee**

The Board of Administration has set up a Financial Statements Audit Committee (*Bilanzprüfungsausschuss*) which deals primarily with issues relating to the auditing of the Bank's individual and consolidated financial statements. In particular, the Financial Statements Audit Committee gives advice to the Board of Administration on the adoption of the annual accounts of Bayerische Landesbank, Bayerische Landesbausparkasse (LBS) and BayernLabo, as well as on the decision on the approval of the consolidated financial statements of the Bank. Furthermore, the Financial Statements Audit Committee recommends to the Board of Administration the appropriation of the profit available for distribution. The chairman of the Financial Statements Audit Committee reports to the Board of Administration. The members of the Accounting Audit Committee are as follows:

*Dr. Siegfried Naser (Chairman)*

*Prof. Dr. Kurt Faltlhauser (Deputy Chairman)*

*Alois Hagl*

*Erwin Huber*

*Karl-Ludwig Kamprath*

*Georg Schmidt*

### **General Meeting**

The General Meeting consists of the following members:

*Prof. Dr. Kurt Faltlhauser (Chairman)*

State Minister

Bavarian State Ministry of Finance

*Dr. Siegfried Naser (Deputy Chairman)*

Executive President of the Association of Bavarian Savings Banks

*Wolfgang Bayerl*

First Lord Mayor of the city of Neunburg v. Wald

*Dr. Günther Beckstein*

State Minister

Bavarian State Ministry of the Interior

*Ludwig Bronold*

Chairman of the Board of Management of Kreissparkasse Mühldorf

*Hansjörg Christmann*

First President of the Association of Bavarian Savings Banks

Chief District Administrator of the District of Dachau

*Heinrich Frey*

Chief District Administrator of the District of Starnberg

*Martin Haf*

Chairman of the Board of Management of Sparkasse Allgäu

*Alois Hagl*

Chairman of the Board of Management of Sparkasse im Landkreis Schwandorf

*Rudolf Heiler*

First Lord Mayor of the city of Grafing

*Dr. Jörg Jung*  
Under-Secretary  
Bavarian State Ministry of the Interior

*Gebhard Kaiser*  
Chief District Administrator of the District of Sonthofen

*Norbert Kastner*  
Lord Mayor of the city of Coburg

*Wolfgang Kelsch*  
First Lord Mayor of Wendelstein

*Dr. Joachim Kormann*  
Deputy Secretary  
Bavarian State Ministry of Economic Affairs, Infrastructure, Transport and Technology

*Harald Leitherer*  
Chief District Administrator of the District of Schweinfurt

*Franz Meyer*  
Permanent Secretary  
Bavarian State Ministry of Finance

*Josef Miller*  
State Minister  
Bavarian State Ministry of Agriculture and Forestry

*Matthias Nester*  
Chairman of the Board of Management of Sparkasse Mittelfranken-Süd

*Helmut Reich*  
Chief District Administrator of the District of Lauf a. d. Pegnitz

*Heinrich Reichel*  
Member of the Board of Management of Sparkasse Aschaffenburg-Alzenau

*Georg Riedel*  
First Lord Mayor of the city of Pfarrkirchen

*Dr. Klaus-Jürgen Scherr*  
Chairman of the Board of Management of Sparkasse Kulmbach-Kronach

*Dr. Werner Schnappauf*  
State Minister  
Bavarian State Ministry of the Environment, Health and Consumer Protection

*Dr. Walter Schön*  
Deputy Secretary  
Bavarian State Chancellery

*Christa Stewens*  
State Minister  
Bavarian State Ministry of Employment and Social Order, the Family and Women

*Dr. Reinhard Wieczorek*  
Councillor of the City of Munich

*Friedrich Wimberger*  
Chairman of the Board of Management of Sparkasse Landshut

For each member a deputy member has been appointed.

The business address of all members of the General Meeting is c/o Bayerische Landesbank at Brienner Strasse 18, D-80277 Munich, Federal Republic of Germany.

### ***Board of Management***

The members of the Board of Management are appointed by the Board of Administration.

### ***Members***

*Werner Schmidt (Chairman)*  
Corporate Center Business Area (worldwide)

*Dr. Rudolf Hanisch*  
Financial Institutions and Sovereigns Business Area (worldwide), Real Estate Business Area (worldwide), Bayerische Landesbodenkreditanstalt

*Theo Harnischmacher*  
Savings Banks and Bavarian Markets Business Area. LBS Bayern

*Dieter Burgmer*  
Financial Markets Business Area (worldwide)

*Stefan W. Ropers*  
Corporates Business Area (worldwide)

*Dr. Gerhard Gribkowsky*  
Risk Office Business Area (worldwide)

*Dr. Ralph Schmidt*  
Corporate Services Business Area (worldwide)

*Dr. Michael Kemmer*  
Financial Office Business Area (worldwide)

The business address of the Board of Management is Brienner Strasse 18, D-80277 Munich, Federal Republic of Germany.

### **Conflict of interests**

The members of the Board of Management have additional positions, which may potentially result in conflicts of interest between their duties vis-à-vis the Bank and their private and other duties, at the following entities:

Werner Schmidt	Banque LBLux S. A., Luxembourg BayernLB Holding AG, Munich DekaBank Deutsche Girozentrale, Frankfurt am Main Deutsche Kreditbank AG, Berlin Deutsche Lufthansa Aktiengesellschaft, Cologne Drees & Sommer AG, Stuttgart Herrenknecht AG, Schwanau Jenoptik AG, Jena Landesbank Saar, Saarbrücken LB(Swiss) Privatbank AG, Zurich MKB Bank RT. AG, Budapest Wieland-Werke AG, Ulm
Dr. Rudolf Hanisch	Banque LBLux S. A., Luxembourg Bayern Invest Kapitalanlagegesellschaft mbH, Munich BayernLB Holding AG, Munich BAYTECH Venture Capital GmbH & Co. KG, Munich BAYTECH Venture Capital II GmbH & Co. KG, Munich BLB-Infrastruktur-Planungs-GmbH, Munich Deutsche Kreditbank AG, Berlin E.ON Energie AG, Munich (personal mandate) GBW AG Bayerische Wohnungs-Aktiengesellschaft, Munich Landesbank Saar, Saarbrücken REAL I. S. AG Gesellschaft für Immobilien Assetmanagement AG, Munich
Theo Harnischmacher	Bayerngrund Grundstücksbeschaffungs- und Erschließungs GmbH, Munich BayernLB Corporate Advisers GmbH, Munich BayernLB Holding AG, Munich BayernLB Private Equity GmbH, Munich BLB-Equity Management GmbH, Munich Concardis GmbH, Frankfurt am Main Deutsche Kreditbank AG, Berlin Fidsecure Versicherungsmakler GmbH, Munich GBW AG Bayerische Wohnungs-Aktiengesellschaft, Munich IZB Soft Verwaltungs-GmbH & Co.KG, Haar Landesbank Saar, Saarbrücken Lufthansa Airplus Servicekarten GmbH, Neu Isenburg REAL I. S. AG Gesellschaft für Immobilien Assetmanagement AG, Munich
Dieter Burgmer	Banque LBLux S. A., Luxembourg BayernInvest Kapitalanlagegesellschaft mbH, Munich BayernInvest Luxembourg S. A. BayernLB Hedge Fonds, Luxembourg BayernLB Private Equity GmbH, Munich BAYTECH Venture Capital GmbH & Co. KG, Munich BLB-Equity Management GmbH, Munich Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt am Main LB Lux Fonds SICAV, Luxembourg Liquiditäts-Konsortialbank GmbH, Frankfurt am Main



Stefan W. Ropers	Bayern Invest Kapitalanlagegesellschaft mbH, Munich BayernLB Corporate Advisers GmbH, Munich BayernLB Private Equity GmbH, Munich BLB-Equity Management GmbH, Munich Deutsche Factoring Bank, Deutsche Factoring GmbH & Co.KG, Bremen FGN. Ferngas Nordbayern GmbH, Bamberg KG Allgemeine Leasing GmbH & Co. KG, Grünwald MKB Bank RT. AG, Budapest
Dr. Gerhard Gribkowsky	Delta Topco Ltd., Jersey (personal mandate) German Centre (Shanghai) Ltd., Hong Kong German Centre for Industrie and Trade Shanghai Ltd, Shanghai German Centre Ltd., British Virgin Islands MKB Bank RT. AG, Budapest Romexterra Bank AG, Targu Mures Shanghai Jieming Houses Business Consulting Co. Ltd., Shanghai STRABAG SE, Vienna (personal mandate) Unionbank AD, Sofia
Dr. Ralph Schmidt	Bayern Facility Management GmbH, Munich Bayern-Card Services GmbH S-Finanzgruppe, Munich IZB Soft Verwaltungs-GmbH & Co.KG, Haar MKB Bank RT. AG, Budapest Romexterra Bank AG, Targu Mures SIZ – Informatikzentrum der Sparkassenorganisation GmbH, Bonn Sparkassen Informatik GmbH & Co. KG, Frankfurt am Main TXB Transaktionsbank GmbH, Dornach
Dr. Michael Kemmer	Bayerninvest Kapitalanlagegesellschaft mbH, Munich Cash.Life AG, Pullach (personal mandate) Thiel Logistik AG, Grevenmacher (personal mandate)

The members of the Board of Administration and the General Meeting are designated by the owners of the Bank. Their positions are set out under “– Board of Administration” and “– General Meeting” above. The members of the General Meeting exert no direct influence on the business activities of the Bank.

### **Corporate Governance**

As an unlisted public law institution, the Bank is not required by law to declare whether it complies with the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) targeted at listed stock corporations. However, it is committed to good corporate governance. Thus, the Bank has voluntarily adopted corporate governance principles (the BayernLB Corporate Governance Principles) which are largely based on the provisions of the German Corporate Governance Code, so far as these can be reasonably applied to it as an unlisted public law institution with only two (indirect) shareholders. The BayernLB Corporate Governance Principles are regularly reviewed and amended as necessary to reflect new developments and changes to German and international standards. The Bank reports on its compliance with the BayernLB Corporate Governance Principles in its annual report and the BayernLB Corporate Governance Principles are made available on the Internet at [www.bayernlb.de](http://www.bayernlb.de).

### **Major Shareholders**

Originally, the Free State of Bavaria and the Association of Bavarian Savings Banks were direct owners and each held 50% of the Bank. In September 2002, the Free State of Bavaria and the Association of Bavarian Savings Banks have entrusted a holding company, BayernLB Holding AG, with the hold-

ing of the Bank as a public law institution (*beliehener Anstaltsträger*). Furthermore, the Free State of Bavaria and the Association of Bavarian Savings Banks have transferred their stakes in the Bank to BayernLB Holding AG by contract, thereby making BayernLB Holding AG the sole direct owner of the Bank. The Free State of Bavaria and the Association of Bavarian Savings Banks each hold a 50% share in BayernLB Holding AG, the share capital of which is € 400 million. The Free State of Bavaria and the Association of Bavarian Savings Banks have announced that they will remain shareholders of BayernLB Holding AG with at least 25.01% each in the long term.

In order to create a legal basis for this new structure a Law amending the Act on the Establishment of the Bayerische Landesbank Girozentrale was passed by the Bavarian legislative body (*Bayerischer Landtag*) which has become effective as of August 1, 2002.

### **Fiscal Year**

The fiscal year of the Bank is the calendar year.

### **Statutory Auditors**

Independent auditors of the Bank were KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ganghoferstrasse 29, D-80339 Munich. They audited the financial statements and the consolidated financial statements of the Bank for the fiscal years 2004 and 2005 and issued an unqualified opinion in each case. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Elsenheimerstrasse 33, D-80687 Munich has been appointed to audit the financial statements of the Bank for the fiscal year 2006.

Both KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft are members of the Chamber of Public Accountants (*Wirtschaftsprüferkammer – WPK*) with a head office in Berlin and a legally dependent regional office in Munich. The WPK has been a member of the International Federation of Accountants (IFAC) since 1984.

### **Legal and Arbitration Proceedings**

#### ***Class Action Complaint of Veterans of the Gulf War in 1991***

A class action complaint was filed in the United States District Court for the Eastern District of New York in August 2003 on behalf of veterans of the so-called First Gulf War (1991) against suppliers of chemicals and equipment to Iraq as well as against more than 30 banks, among them the Bank. The plaintiffs claimed to have suffered injuries as a result of exposure to chemical weapons without claiming any concrete amounts. On June 30, 2006, the complaint was dismissed. However, an appeal may be lodged against this decision.

#### ***Other Material Proceedings***

In July 2004, the Bank received a draft complaint from the insolvency administrator of a major company of the German construction industry (the "Construction Company"). This draft complaint against various banks, including the Bank, contains claims for restitution of a number of payments made to the banks by the Construction Company before the Construction Company filed for bankruptcy. A draft response was submitted to the insolvency administrator, rejecting the claims in their entirety. The Bank considers these claims largely without merit. With a revised draft complaint dated January 3, 2005, the insolvency administrator added claims for restitution under German corporate law (*Aktienrecht*), thereby almost doubling the original amount claimed. These added claims are considered by the Bank (as well as its lawyers) largely without merit as well. The Bank's share of such total claims is alleged to be approximately € 156.2 million, plus interest and commissions (of which € 37.6 million are quantified). Since December 2005, a mediation procedure has been engaged between the banks and the insolvency administrator during which the parties have been discussing the factual

and legal position of the case with a view to finding out whether they can settle their dispute out of court.

Apart from this, the Bank is not or has not during the last twelve months been engaged in any governmental, legal or arbitration proceedings which may have or have had during such period a significant effect on the financial position or profitability of the Bank, nor, as far as the Bank is aware, are any such governmental, legal or arbitration proceedings pending or threatened.

However, the Bank may be indirectly affected by a currently pending class action lawsuit in which it is not named as a defendant. In connection with such litigation, which is in its early stages, the effect on the Bank's financial position as of December 31, 2005 should be effectively limited to a maximum of EUR 310 million.

### **Significant Change in the Bank's Financial Position**

Save as disclosed herein, there has been no significant change in the financial position of the Group since December 31, 2005.

## **Banking Regulation and Supervision in the Federal Republic of Germany**

### ***Bank Supervision and Principal Laws***

All banks in Germany, including the Bank, are subject to comprehensive governmental supervision and regulation by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) in accordance with the German Banking Act (*Gesetz über das Kreditwesen* – KWG). Under the German Banking Act, banking and financial services institutions are required to have a license from the BaFin to conduct banking business or provide financial services in Germany. The BaFin supervises the operations of all banks in Germany, including the Bank, to ensure that they conduct their business in accordance with the provisions of the German Banking Act and other applicable German laws and regulations. Particular emphasis is placed on compliance with capital adequacy and liquidity requirements, lending limits and prudential standards governing lending imposed by the German Banking Act and the regulations promulgated thereunder.

The German Banking Act and the rules and regulations adopted thereunder also implement certain EU directives relating to banks, which, in turn, implement recommendations of the Basel Committee on Banking Supervision (the "Basel Committee") at the Bank for International Settlements (BIS). The New Basel Capital Accord ("Basel II") published in June 2004 requires higher levels of capital for those borrowers which present higher levels of credit risk, and vice versa. Moreover, an explicit capital charge for a bank's exposure to the risk of losses caused by failures in systems, processes or by staff or external disasters is established. Capital charges are aligned more closely to a bank's own measures of its exposures to credit and operational risk. The second pillar provides for a supervisory review of the banks' internal assessments of their overall risks to ensure that the management is exercising sound judgment and has set aside adequate capital for the risks. The third pillar focuses on market discipline through effective public disclosure to provide for sound banking practices.

Basel II has already been transformed into both European and German law. In September 2005, the European Parliament approved the Capital Requirements Directive. The member states have to apply the Capital Requirements Directive from January 1, 2007, with the most sophisticated approaches to credit risk and operational risk being available from 2008. In order to allow reasonable transition arrangements, institutions can continue to use the existing rules as an alternative until the end of 2007.

At the national level, Basel II has been partly implemented in Germany by the new Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement*, "MaRisk") by the BaFin on December 20, 2005. Further steps have been taken by amending the German Banking Act and adopting a Solvency Ordinance (*Solvabilitätsverordnung*) complimented by an amended Large Exposure Regulation (*Großkredit- und Millionenkreditverordnung*). The German implementation legislation has largely become effective on January 1, 2007 and, *inter alia*, amends the provisions governing the trading book. Banks have to meet many additional requirements, in particular with regard

to documentation and monitoring. Further amendments affect the Liable Capital, introducing new definitions and calculations. Banks may decide to use more sophisticated risk measures such as the Internal Ratings Based Approach.

### **Cooperation by the BaFin and the German Central Bank**

The BaFin carries out its banking supervisory role in cooperation with the German Central Bank (*Deutsche Bundesbank*). The BaFin has the sole authority to issue administrative orders (*Verwaltungsakte*) and, after consultation with the German Central Bank, general regulations (*Verordnungen*). The BaFin must obtain the German Central Bank's consent before it issues any general regulations in areas that require the German Central Bank's consent under the German Banking Act.

The German Central Bank is responsible for the ongoing monitoring of German banks. This comprises in particular the analysis of submitted reports and examinations for the purpose of determining capital adequacy and risk management. The German Central Bank performs its monitoring functions primarily through its nine regional offices (*Hauptverwaltungen*) which are responsible for different states (*Länder*) and the banks that have their corporate seat therein. The Bank reports to, and is monitored by, the regional office of Bavaria, which is based in Munich. Enforcement measures against banks can only be taken by the BaFin.

### **Capital Adequacy Requirements**

The German Banking Act and the regulations promulgated thereunder contain certain capital adequacy requirements.

#### *Adequate Own Funds*

Banks are required to have adequate Own Funds (*Eigenmittel*) (defined below) in order to ensure that they are able to fulfill their obligations vis-à-vis their creditors. According to the Solvency Regulation (*Solvabilitätsverordnung – SolvV*), a bank has adequate Own Funds if it meets the capital requirements for credit risks and the operational risk as well as for market risks at the end of each business day.

The capital requirements for credit risks and operational risk are met, if the total amounts for credit risks and operational risk, respectively, do not exceed the Modified Available Liable Capital (*modifiziertes verfügbares Eigenkapital*) (defined below). Further, the capital requirements for market risks are met, if the aggregate amounts for market risk positions do not exceed the aggregate amount of Modified Available Liable Capital, reduced by the capital requirements for credit risks and operational risk, and the Available Tier 3 Capital (*verfügbare Drittrangmittel*) (defined below) at the end of each business day.

Modified Available Liable Capital is calculated as follows:

+	Core Capital	
+	Supplementary Capital	
<b>=</b>	<b>Liable Capital</b>	
–	Qualified investments and amounts exceeding the limits on large exposures covered by Liable Capital	
–	value adjustment deficit amounts resulting from the difference between expected loss amounts and value adjustments / provisions for certain IRBA positions	
–	expected loss amounts regarding certain IRBA equity investment positions	
–	certain securitization positions with a risk weighting of 1,250 %	
–	the amount of the value transferred plus possible replacement costs in case of free deliveries in connection with trading book transactions in securities as long as the contractual payment has not been made five business days after the due date	
+	Value adjustment surplus amounts up to a maximum of 0.6 % of risk-weighted IRBA positions	
<b>=</b>	<b>Modified Available Liable Capital</b>	

## Own Funds

Own Funds are comprised of Tier 3 Capital and Liabe Capital (*haftendes Eigenkapital*). Liabe Capital, in turn, consists of Core Capital (*Kernkapital*) and Supplementary Capital (*Ergänzungskapital*), subject to certain deductions.

Pursuant to the German Banking Act, Core Capital consists principally of:

- (1) paid-in endowment capital (*eingezahltes Dotationskapital*);
- (2) capital reserves;
- (3) earnings reserves which are disclosed in the bank's annual balance sheet;
- (4) net profits which are shown in audited interim financial statements and which will not be used for distribution or the payment of taxes;
- (5) the fund for general banking risks (pursuant to Section 340g of the German Commercial Code, a bank may create a reserve fund from its after-tax retained earnings if advisable in its reasonable commercial judgment in light of the special risks inherent in the banking business); and
- (6) capital paid in by silent partners which meets certain conditions set forth in the German Banking Act, including subordination to all creditors and participation in the bank's losses;

less balance sheet losses, certain intangible assets and certain other items (including goodwill).

Pursuant to the German Banking Act, Supplementary Capital consists principally of:

- (1) uncommitted reserves for general banking risks (pursuant to Section 340f of the German Commercial Code, a bank may record on its balance sheet certain receivables and securities, which are neither investment securities nor part of the trading portfolio, at a lower value than that permitted for industrial and other non-banking corporations if the use of a lower value is advisable in its reasonable commercial judgment to safeguard against the special risks inherent in the banking business), provided that such reserves may not exceed 4% of the book value of such receivables and securities;
- (2) preferred shares;
- (3) reserves pursuant to Section 6b of the German Income Tax Act (*Einkommensteuergesetz*), to a certain percentage and to the extent they relate to the disposal of real estate;
- (4) capital paid in consideration of profit participation rights (*Genussrechte*) which meets certain conditions set forth in the German Banking Act, including subordination to all creditors and participation in the bank's losses;
- (5) long-term subordinated debt (with a term of at least five years) meeting certain conditions set forth in the German Banking Act, including subordination to all non-subordinated creditors; and
- (6) certain revaluation reserves;

less certain deductions such as certain investments in banks or financial institutions.

In calculating Liabe Capital, Supplementary Capital may only be taken into account up to the amount of the Core Capital and consist of long-term subordinated debt of up to 50% of the Core Capital.

In the case of the Bank, Core Capital consists of (i) paid-in endowment capital (so called nominal capital), (ii) capital reserves, (iii) earnings reserves, (iv) capital paid in by silent partners and (v) the fund for general banking risks pursuant to Section 340g of the German Commercial Code, less (i) certain intangible assets and (ii) certain other items (including goodwill). Supplementary Capital consists of (i) long-term subordinated debt, (ii) profit participation capital, (iii) uncommitted reserves for general banking risks pursuant to Section 340f of the German Commercial Code and (iv) certain revaluation reserves, less goodwill.

Tier 3 Capital consists principally of:

- (1) the net profits which would be realized if, at the end of a given day:
  - (a) all positions in the Trading Book were settled,
  - (b) all foreseeable expenses and distributions on capital were deducted, and
  - (c) all probable losses that would be incurred in the investment book in the event that the bank were to be liquidated were deducted;
- (2) short-term subordinated debt (with a term of at least two years but less than five years) that meets certain conditions set forth in the German Banking Act, including subordination to all non-subordinated creditors; and
- (3) positions which cannot be regarded as Supplementary Capital due to the limits prohibiting that the aggregate amount of Supplementary Capital exceeds the Core Capital and that the sum of long-term subordinated debt exceeds 50% of the Core Capital.

### *Credit Risks and Operational Risk*

The Solvency Regulation provides that the capital requirements for credit risks be calculated by determining the risk-weighted value of a bank's credit risk positions following either the standardized approach or the internal ratings based approach (IRBA).

The standardized approach basically assigns credit risk positions to risk categories with different weightings and does not require banks to provide their own estimates of risks. While the standardized approach relies on given evaluations, it nonetheless incorporates enhanced risk-sensitivity by permitting the use of, for instance, external ratings of rating agencies.

In contrast, the internal ratings based approach allows banks to derive risk weightings from their internal ratings systems, but only upon prior approval by the BaFin. The Bank qualifies as an IRBA institution by meeting the detailed requirements of the SolvV, dealing, *inter alia*, with internal ratings standards and publication rules. The Bank may rely on its own internal estimates of risk components in determining the capital requirement for a given exposure and thereby benefit from enhanced risk-sensitivity. The risk components include measures of the probability of default, loss given default, the exposure at default and effective maturity.

The total amount for credit risks is the sum of all credit positions determined in accordance with the chosen approach and, in case of trading book institutions increased by the total amount for settlement risks, multiplied by 0.08.

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. Banks can employ either the basic indicator approach, the standardized approach or the advanced measurement approach to determine the amount for operational risk, but if using the standardized or the advanced measurement approach a bank may not revert to the use of a less sophisticated approach except for demonstrated good cause and subject to approval by the BaFin.

### *Market Risk*

The German Banking Act also requires market risk positions of banks to be covered by adequate capital, i. e. the sum of the amounts for market risk positions must not exceed the aggregate amount of Modified Available Liabile Capital, reduced by the capital requirements for credit risks and operational risk, and the Available Tier 3 Capital at the close of each business day.

Available Tier 3 Capital is defined as Tier 3 Capital, in case of trading book institutions (such as the Bank) reduced by the amounts exceeding certain limits on large exposures (see below) insofar as such are covered by Tier 3 Capital, and may only be used to comply with capital requirements for market risks. Banks availing themselves of the internal ratings based approach fall under a specific provision amending the aforementioned definition of Available Tier 3 Capital: In calculating the ade-



quacy of Own Funds, IRBA institutions are only allowed to use Tier 3 Capital up to the amount that, together with the Supplementary Capital (determined by additionally including certain IRBA-specific value adjustment and loss amounts) not required to cover trading book risks, does not exceed 250% of the Core Capital (determined by additionally including certain IRBA-specific value adjustment and loss amounts) not required to cover trading book risks. IRBA-trading book institutions have to deduct amounts exceeding certain limits on large exposures (see below) insofar as such are covered by Tier 3 Capital.

The sum of Tier 3 Capital plus the portion of Supplementary Capital that is not required to cover risk positions in the investment book and therefore is eligible to support market risks must not exceed 250% of the portion of Core Capital that is not required to cover risk positions in the investment book and therefore is eligible to support market risks.

Market risk positions are foreign exchange risk positions, commodity risk positions, trading book risk positions and other market risk positions. The risk-weighted values of such market risk positions and certain option positions must be computed in accordance with rules set forth in the Solvency Regulation, allowing the banks to choose between the use of standard methods or own risk models.

### *Consolidated Capital Requirements*

Capital adequacy rules must not only be met by a bank and its banking subsidiaries on an unconsolidated basis, but also by the banking group (*Institutgruppe*) as a whole.

At December 31, 2006, the Bank and the banking group of which the Bank is the parent bank, met, and currently meet, the capital adequacy rules of the German Banking Act, and each German member of that group that is a bank or a financial services institution met, and currently meets such rules.

The agreements on the transfer of certain assets by Bavaria to the Bank (*Zweckvermögen*) have been amended effective as of January 1, 2006 in order to ensure that such assets will qualify as Core Capital also under IFRS. The change of the Act on Special Purpose Assets (*Zweckvermögensgesetz*), which is required under the amendment, was published in May 2006.

### *Liquidity Requirements*

The German Banking Act and the regulations issued thereunder also contain liquidity requirements. According to the Regulation on the Liquidity of Banks (*Verordnung über die Liquidität der Institute – LiqV*), banks must compute a liquidity factor at the end of every calendar month. The liquidity factor is the quotient of liquid assets to payment obligations during four time bands: (1) one day to one month; (2) more than one month to three months; (3) more than three months to six months; and (4) more than six months to twelve months. The liquidity factor for the one-month time band must not be less than 1. The excess of liquid assets over payment obligations in one of the other time bands may be counted as liquid assets for the succeeding time band. The ratios between the respective liquid assets over the payment obligations in the other three time bands are calculated for observation purposes only. The liquidity factor and the observation ratios must be submitted by the 15th business day of the month following the reference date to the German Central Bank, which passes the reports on to the BaFin.

In lieu of the process to determine sufficient liquidity as described above, banks may make a permanent decision to use their own procedures for measuring and managing liquidity upon approval by the BaFin, if certain requirements are met and the BaFin confirms that the procedures are suitable for achieving the purpose of the LiqV. Among other things, the bank's own procedures must be adequate to measure and manage liquidity, taking into account the nature, scale and complexity of the bank's activities, and result in a more detailed picture of the bank's liquidity position than relying on the process of computing a liquidity factor set forth in the LiqV.

### ***Limitation on Large Exposures***

The German Banking Act and the Large Exposure Regulation limit a bank's concentration of credit risks on an unconsolidated and a consolidated basis through restrictions on large exposures (*Großkredite*).

The Bank is subject to the large exposure rules applicable to trading book institutions. These rules contain separate restrictions for large exposures related to the investment book (investment book large exposures) and aggregate large exposures (aggregate book large exposures) of a bank or group of institutions.

Investment book large exposures are exposures incurred in the investment book and related to a single client (and persons affiliated with it) that equal or exceed 10% of a bank's or group's Liabable Capital.

Individual investment book large exposures must not exceed 25% of the bank's or group's Liabable Capital (20% in the case of exposures to affiliates of the bank that are not consolidated for regulatory purposes).

Aggregate book large exposures are created when the sum of investment book large exposures and the exposures incurred in the trading book related to a client (and persons affiliated with it) (trading book large exposures) equals or exceeds 10% of the bank's or the group's own funds. The 25%-limit (20% in the case of unconsolidated affiliates), calculated by reference to a bank's or group's own funds, also applies to aggregate book large exposures.

In addition to the above limits, the total investment book large exposures must not exceed eight times the bank's or group's Liabable Capital, and the aggregate book large exposures must not exceed in the aggregate eight times the bank's or group's own funds.

A bank or group of institutions may exceed the aforementioned ceilings only with the prior approval of the BaFin. In such a case, the bank or group is required to support the amount of the large exposure that exceeds the ceiling with Liabable Capital (in the case of ceilings calculated with respect to Liabable Capital) or with Own Funds (in the case of ceilings calculated with respect to Own Funds) on a one-to-one basis.

Further, total trading book exposures to a single client (and persons affiliated with it) must not exceed five times the bank's or group's Own Funds, to the extent that such Own Funds are not required to meet the capital adequacy requirements with respect to the investment book. Total trading book exposures to a single client (and persons affiliated with it) in excess of the aforementioned limit are not permitted.

There is an additional overall lending limit to the effect that the total exposures to a single client, i. e. the aggregate portions of the borrower's aggregate credit position (credits that are allocated to the trading book or the investment book), that exceed 25% (or 20% in the case of a credit to the bank's unconsolidated affiliates) of the bank's Own Funds ceiling for more than ten days must not, in the aggregate, exceed six times the bank's Own Funds that are not required to cover risk positions in the investment book.

### ***Limitations on Qualified Equity Investments***

The total nominal value (as opposed to the book value or price paid) of a deposit-taking bank's Qualified Equity Investments (as defined below) in an enterprise (other than a bank, financial services institution, financial enterprise, insurance company or bank service enterprise) may generally not exceed 15% of the Liabable Capital of such bank, and the aggregate nominal value of all such Qualified Investments may generally not exceed 60% of such bank's Liabable Capital. "Qualified Equity Investment" is defined in the German Banking Act as a (1) direct or indirect investment in at least 10% of the capital or the voting rights of an enterprise or (2) the ability to exercise a significant influence over the management of an enterprise.

### **Minimum Requirements for Risk Management**

On December 20, 2005, the BaFin issued the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement – MaRisk*). The MaRisk set forth a flexible framework for the risk management and a risk-oriented approach towards internal audits at credit institutions, taking into account the specific circumstances of the institution (e.g., size of the institution, scale of business, complexity of the activities performed, risk profile). The MaRisk are designed to ensure the establishment of appropriate internal governance structures, to provide a qualitative framework for the implementation of the Capital Requirements Directive, and to meet the qualitative requirements of the supervisory review process required by the so-called second pillar of Basel II.

### **Enforcement Powers**

In order to secure compliance with the German Banking Act and the regulations issued thereunder, the BaFin and the German Central Bank may require information and documents from a bank and the BaFin may examine a bank without giving any particular reason. The BaFin may also require information and documents from members of a banking group (whether or not they are banks) and may examine such members (if they are banks) to the extent necessary to ascertain the correctness of information and data required for consolidated supervision. Examinations may also be conducted at a foreign member of the banking group that is part of a banking group if necessary to verify the accuracy of data and information required for consolidated supervision, but only to the extent permitted under the German Banking Act and the law of the domicile of such subsidiary. However, the BaFin has to initially address information requests to other competent authorities, if the information required for supervising a banking group is available from such competent authority. In addition, the BaFin may attend meetings of the Bank's Board of Administration, its Management Board and its shareholders (and require such meetings to be convened). In practical terms, because the BaFin has access to the books and records of the Bank in Germany, it is able to monitor the world-wide activities of the Bank.

To ensure that German banks, including the Bank, fully comply with all applicable legislation and reporting requirements, the BaFin requires that they maintain an effective and independent internal auditing department of adequate size and quality. A bank must also establish a written plan of organization, which sets forth the responsibilities of its employees and operating procedures. The internal auditing department must examine compliance with this plan and these responsibilities and procedures.

If the BaFin discovers irregularities, it has a wide range of enforcement powers. The BaFin can challenge the qualifications of the bank's management. If the Own Funds of a bank are not adequate, or if the liquidity requirements are not met and if the bank has failed to remedy the deficiency within a period set by the BaFin, the BaFin may prohibit or restrict the distribution of profits or the extension of credit or instruct the bank to adopt measures aimed at reducing risks insofar as they result from certain activities, products or the use of certain systems. These prohibitions also apply to the parent bank of a banking group if the consolidated Own Funds of the bank members of the group do not meet the legal requirements. In addition, the BaFin can also lower the limit for large exposures applicable to the banking group in question.

If a bank is in danger of defaulting on its obligations to creditors, the BaFin may take emergency measures to avert default. In this connection, it may, *inter alia*: (1) issue instructions relating to the management of the bank, (2) prohibit or restrict the acceptance of deposits and the extension of credit, (3) prohibit or restrict the management of the bank from carrying on their functions and (4) appoint supervisors. If these measures are inadequate, the BaFin may revoke the bank's license and, if appropriate, order that the bank be closed. To avoid the insolvency of a bank, the BaFin has the authority to prohibit payments and disposals of assets, to suspend customer services, and to prohibit the acceptance of payments other than the payment of debt owed to the bank. In addition, violations of the German Banking Act may result in criminal and administrative penalties.

### ***Powers of the European Central Bank***

The European Central Bank requires certain credit institutions, including the Bank, to hold minimum reserves on accounts maintained with their respective National Central Banks, which, in the case of the Bank, are held by the German Central Bank. These minimum reserves must equal a certain percentage of the credit institutions' liabilities resulting from certain deposits, plus the issuance of bonds.

### ***Supervision by the Free State of Bavaria***

Pursuant to the Act on Bayerische Landesbank and its Statutes, the Bank is subject to supervision by the Bavarian State Ministries of Finance and of the Interior ("Supervisory Authority"). The Supervisory Authority is entitled to issue all necessary directives in order to ensure that the Bank's activities comply with the relevant laws, the Bank's statutes and other applicable provisions. The Supervisory Authority has the right to review the Bank's management at all times, to request information, to participate in the deliberations of the Management Board and of the Board of Administration in an advisory capacity and to demand that meetings of the Board of Administration are convened.

In addition, the Bank is subject to auditing by the Bavarian Supreme Audit Office (*Bayerischer Oberster Rechnungshof*).

## TAXATION

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PURCHASERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PURCHASERS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER THEIR OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN TRUST PREFERRED SECURITIES UNDER THE LAWS OF GERMANY, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTION WHERE THEY MAY BE SUBJECT TO TAXATION.

### **Taxation in the United States**

The following is a summary of the principal U.S. federal income tax consequences relating to an investment in the Trust Preferred Securities by an investor that is a Non-U.S. Holder (as defined below). This summary does not address any U.S. tax consequences to a person who is a U.S. Holder (as defined below) or is subject to U.S. federal income tax on a net income basis. For purposes of this summary, a **"Non-U.S. Holder"** is a beneficial owner of Trust Preferred Securities other than a U.S. Holder. A **"U.S. Holder"** is a beneficial owner of Trust Preferred Securities that for U.S. federal income tax purposes is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

This summary addresses the tax consequences to a Non-U.S. Holder that acquires Trust Preferred Securities on their original issue at their original offering price (an **"Original Trust Preferred Securityholder"**). This summary does not address all tax consequences that may be applicable to a beneficial owner of the Trust Preferred Securities and does not address the tax consequences to a Non-U.S. Holder in special circumstances. This summary is based upon the Internal Revenue Code of 1986, as amended (the **"Code"**), Treasury Regulations, Internal Revenue Service (**"IRS"**) rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect).

Prospective investors are urged to consult with their tax advisors as to the U.S. federal income tax consequences of the purchase, ownership and disposition of trust preferred securities, as well as the effect of any state, local or foreign tax laws.

### ***Tax Treatment of the Trust***

The Bank intends to treat the Trust as a grantor trust for U.S. federal income tax purposes. Assuming full compliance with the terms of the Trust Agreement, the Trust will not be an association taxable as a corporation or otherwise be subject to U.S. federal income tax.

### ***Tax Treatment of the Company***

In purchasing the Trust Preferred Securities, each Original Trust Preferred Securityholder agrees with the Bank, the Company and the Trustees that the Bank, the Company, the Trustees and the Original Trust Preferred Securityholders will treat Original Trust Preferred Securityholders for all purposes as holders of an undivided interest in Trust assets, including the Class B Preferred Securities, and not as holders of a direct interest in the Bank or in any other person, and the following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes. Assuming full compliance with the LLC Agreement, the Company will not be taxable as a corporation and will not

itself be subject to U.S. federal income tax. The Bank intends to treat the Company as a partnership for U.S. federal income tax purposes.

### ***Income and Withholding Tax***

The Company intends to operate so that it will not be treated as engaged in the conduct of a U.S. trade or business. Moreover, the Company intends to invest in securities that will be exempt from withholding of U.S. federal income tax when income attributable to such securities is distributed or allocated to beneficial holders of Class B Preferred Securities.

Accordingly, assuming full compliance with the terms of the LLC Agreement, a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of the Trust Preferred Securities. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the Company's income unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States. A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities, unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

### ***Information Reporting and Backup Withholding***

In general, a Non-U.S. Holder who holds Trust Preferred Securities through a non-United States Bank or other non-United States financial institution that is a participant in Euroclear or Clearstream will not be required to provide certification of non-U.S. status for U.S. withholding purposes and will not be subject to any information reporting rules. In other contexts, however, including where a Non-U.S. Holder withdraws from the Trust and directly holds the Class B Preferred Securities, a Non-U.S. Holder in order to eliminate U.S. information reporting requirements and backup withholding tax will be required to comply with applicable certification procedures to establish the holder's non-U.S. status (by providing an IRS Form W-8BEN or other applicable form). The Trust will report to the IRS the amount of income allocated each year to each beneficial owner of Trust Preferred Securities, in accordance with applicable law.

### **German Taxation**

The following is a discussion of certain German tax considerations that may be relevant to a holder of Trust Preferred Securities that is a resident of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e. g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Germany (a "**German Holder**"). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of Trust Preferred Securities.

### ***Income Taxation***

Capital Payments received by a German Holder with respect to the Trust Preferred Securities will be subject to German personal or corporate income tax (plus a solidarity surcharge thereon, which is currently levied at 5.5%), and, in the case of a German Holder who is an individual, may be subject to church tax. Upon the sale or redemption of the Trust Preferred Securities, a German Holder will also be required to include in its taxable income the difference between the amount realized on such sale or redemption and the cost of acquisition (or adjusted tax base) of the Trust Preferred Securities. Income derived from the Trust Preferred Securities will also be subject to German municipal trade tax



on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German business establishment for trade tax purposes or are held by a German corporate investor.

A German Holder who is an individual and does not hold the Trust Preferred Securities as a business asset will be entitled to a standard deduction (*Werbungskosten-Pauschbetrag*) of EUR 51 in computing his or her investment income (including income derived from the Trust Preferred Securities) as well as an exemption (*Sparer-Freibetrag*) of EUR 750 with respect to such investment income (EUR 102 and EUR 1,500 respectively, for married couples filing jointly).

### **German Withholding Tax**

If the Trust Preferred Securities are kept in a custodial account maintained by a German Holder with a German bank 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 bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution) (a "German Disbursing Agent"), the German Disbursing Agent will generally be required to withhold tax (*Zinsabschlagsteuer*) at a rate of 30% (plus solidarity surcharge thereon at a rate of 5.5%, resulting in an aggregate withholding rate of 31.65%) of the gross amount paid as income with respect to the Trust Preferred Securities. Upon the sale or redemption of the Trust Preferred Securities, a German Disbursing Agent will generally be required to withhold tax at an aggregate rate of 31.65% on:

- (i) the excess of the sale or redemption proceeds of the Trust Preferred Securities over the holder's acquisition cost, if the Trust Preferred Securities have been acquired through or purchased from and have since been held in custody with such German Disbursing Agent, or
- (ii) an amount equal to 30% of the sale or redemption proceeds of the Trust Preferred Securities, if the Trust Preferred Securities have not been so held with such German Disbursing Agent. Tax withheld by the German Disbursing Agent will be credited against the German Holder's final liability for personal or corporate income tax or refunded if in excess of such final tax liability.

German holders of Trust Preferred Securities can take advantage of the *Sparer-Freibetrag* (as described above) by presenting a certificate of exemption (*Freistellungsauftrag*) to the German Disbursing Agent. In this case, the German Disbursing Agent will not withhold tax on investment income (including income derived from the Trust Preferred Securities) up to the amount shown in the certificate of exemption. Furthermore, the German Disbursing Agent will not withhold any tax, if the holder of Trust Preferred Securities submits to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the local tax office.

### **Gift and Inheritance Taxation**

The gratuitous transfer of the Trust Preferred Securities by a holder as a gift or by reason of death is subject to German gift or inheritance tax, based on the market value of the Trust Preferred Securities at the time of the transfer, if the holder of the Trust Preferred Securities or the recipient is a resident, or deemed to be a resident, of Germany. German gift or inheritance tax is also levied if the Trust Preferred Securities form part of the property of a permanent establishment or a fixed base maintained by the holder of the Trust Preferred Securities in Germany. Double taxation treaties may provide for exceptions to the domestic inheritance and gift tax regulations.

### **Other German Taxes**

There are no German transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities.

### **Potential changes by envisaged 2008 tax reform of the German government**

The Federal Finance Ministry has published on February 5, 2007 a first draft of the envisaged 2008 tax reform (*Unternehmensteuerreform*), which, if finally enacted, would lead in part to significant

changes with respect to the tax considerations discussed above. The draft is scheduled to be ratified by the German government on March 14, 2007. The legislative process is expected to be finalized by summer 2007.

With respect to the taxation of holders of Trust Preferred Securities the following envisaged changes might become relevant:

Capital Payments received by a German holder with respect to the Trust Preferred Securities, as well as any gains upon the sale or redemption of the Trust Preferred Securities, would 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 Trust Preferred Securities as a business asset. An individual German holder may in addition be subject to church tax. If the flat tax would lead to a higher tax burden in comparison to the current rules, the German holder would be entitled to opt for the current system. This part of the tax reform is expected to become effective as of January 1, 2009.

In case a German holder holds the Trust Preferred Securities as a business asset, the tax situation would remain unchanged. In case the German holder is a German corporate investor, the corporate income tax rate is expected to be reduced from currently 25% to 15% (in each case plus solidarity surcharge). Income derived from the Trust Preferred Securities would still be subject to German municipal trade tax on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German business establishment for trade tax purposes or are held by a German corporate investor. As counter finance measures for the reduction of the corporate income tax rate, it is expected that the deductibility of trade tax as a business expense would be abolished and the deductibility of interest payments would generally be restricted. This part of the tax reform is expected to become effective as of January 1, 2008.

## **Taxation in Luxembourg**

The following is a general description of certain tax considerations, under the existing laws of Luxembourg as currently applied by the Luxembourg tax authorities, relating to a holding of Trust Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Trust Preferred Securities. Prospective purchasers of the Trust Preferred Securities should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of any other jurisdiction of acquiring, holding, redeeming and disposing of Trust Preferred Securities and receiving Capital Payments, Liquidation Preference Amounts and/or other amounts under the Trust Preferred Securities. This summary is based upon the law as in effect on the date hereof and is subject to any change in law that may take effect after such date, and may be retroactively applicable.

### ***Income tax***

A holder of a Trust Preferred Security who derives income from such Trust Preferred Security or who realizes a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on income or capital gains unless:

- such holder is, or is deemed to be, resident in Luxembourg; or
- such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

In those cases:

- if the holder is a natural person resident in Luxembourg, or a Luxembourg partnership held by natural persons resident in Luxembourg, income derived from a Trust Preferred Security will bear individual income tax at a progressive rate up to 38%, plus an unemployment fund contribution levied thereon at a rate of 2.5%. For holders who are natural persons resident in Luxembourg, the 10% tax withheld at source (see section “Withholding tax” below) constitutes a final taxation.

Capital gains will only be taxable if they occur on a sale of Trust Preferred Securities which takes place up to six months after these were acquired.

- if the holder is a legal entity subject to corporate income tax, such income or gain will bear corporate income tax and municipal business tax. The combined rate for these two taxes is 29,63% in the City of Luxembourg.

#### *Withholding tax*

- No Luxembourg withholding tax is imposed on payments on the Trust Preferred Securities, except as provided under “European Union Savings Directive” below in respect of income paid or attributed to, or collected (in the cases foreseen by articles 4(2) and 11(5) of the Directive) for, a beneficial owner who is an individual resident in another Member State.
- Pursuant to the law of December 23, 2005, effective as of January 1, 2006, payments on the Trust Preferred Securities by a Luxembourg paying agent to a holder that is a natural person resident in Luxembourg will be subject to withholding tax at the rate of 10%.

#### **Net wealth tax**

Luxembourg net wealth tax will not be levied on a holder of a Trust Preferred Security unless such Trust Preferred Security is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

Net wealth tax is levied annually at the rate of 0,5% on the net wealth of enterprises resident of Luxembourg.

#### **Estate and gift tax**

No Luxembourg inheritance tax is levied on the transfer of Trust Preferred Securities upon the death of a holder thereof in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Luxembourg gift tax will be levied in the event that a gift of Trust Preferred Securities is made pursuant to a notarial deed signed before a Luxembourg notary.

#### **Other taxes**

It is not compulsory that the Trust Preferred Securities be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Trust Preferred Securities, in accordance therewith, except that, in case of use of the Trust Preferred Securities, either directly or by way of reference (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an ad valorem registration duty and calculated on the amounts mentioned in the Trust Preferred Securities.

#### **Taxation in Austria**

The following is a discussion of certain Austrian tax considerations that may be relevant to a holder of Trust Preferred Securities that is a resident of Austria or for which income in respect of the Trust Preferred Securities is regarded as income of Austrian sources, e.g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Austria (an “**Austrian holder**”). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the Austrian tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein.

The Trust Preferred Securities should be treated as bond securities (*Forderungswertpapiere*) within the meaning of section 93 / 3 of the Austrian Income Tax Act (*Einkommensteuergesetz*). However, there is currently no Austrian case law or administrative guidance addressing the tax treatment of financial instruments that are substantially identical to the Trust Preferred Securities.

### **Income taxation**

#### *Interest Payments*

Interest payments received by an Austrian individual or corporate holder with respect to bond securities will be subject to Austrian personal or corporate income tax.

If bond securities are held by an **Austrian individual holder** Austrian withholding tax (*Kapitalertragssteuer*) of 25% is deducted by an Austrian coupon paying agent on the income qualified as interest. Provided that the Trust Preferred Securities have been offered to the public for the purposes of sections 97 and 37 / 8 of the Austrian Income Tax Act ("public offer") the withholding tax is a final tax. Final taxation means that no further income tax will be assessed and the capital income is to be included in the holder's tax return. As a consequence of the final taxation, expenses incurred by the holder in connection with the securities are not deductible. However, the holder may apply for taxation at regular rates if this leads to reduced taxation.

Where there is no deduction of Austrian withholding tax because the income from the Trust Preferred Securities is not received in Austria (not paid out by a coupon paying agent located in Austria) Austrian individual holders will have to include the income derived from the Trust Preferred Securities in their income tax returns pursuant to the Income Tax Act. In such case a special 25% tax rate is applicable. As a consequence, expenses incurred by the holder in connection with the Trust Preferred Securities are not deductible.

For **Austrian corporate holders** holding the Trust Preferred Securities as business property withholding tax is not treated as a final taxation and the income from the Trust Preferred Securities remains generally subject to corporate income tax at a flat tax rate of 25%. Withholding tax may be avoided by filing the respective declaration of exemption.

**Private Trusts** established pursuant to Austrian law (*Privatstiftung*) are exempt from the 25% withholding tax. Income from capital investment derived from the Trust Preferred Securities by private trusts is subject to 12.5% interim corporate tax. This 12.5% interim corporate income tax may be credited against tax due on distributions of the Private Trust.

#### *Capital Gains*

Any capital gain from the sale of the Trust Preferred Securities by Austrian individual or corporate holders are subject to Austrian personal income tax at the progressive rates or corporate tax at 25% unless the Trust Preferred Securities are sold by an Austrian resident individual out of his private assets after an ownership period of more than one year.

### **Gift and inheritance taxation**

Pursuant to Austrian law, the transfer of bond securities which are subject to the final withholding tax (*Kapitalertragssteuer*) or the special 25% tax rate on the date of the private investor's death are not subject to Austrian inheritance or gift tax on a transfer by reason of death. A transfer by reasons of gift causes Austrian inheritance or gift tax if at the time of the transfer of the assets

(a) the donor or transferor, donee or the other beneficiary is resident in Austria at the time of the transfer, or, if an Austrian citizen, was not continuously outside of Austria and without Austrian residence for more than two years or

(b) the bond securities were held as assets of a permanent establishment maintained in Austria by a donor.

### ***Other Austrian taxes***

There are no Austrian transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities in Austria.

### ***EU-Savings Directive***

Under the European Union Savings Directive 2003/48/EU, adopted on June 3, 2003, on the taxation of savings income, the member states of the European Union 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, except that, for a transitional period, Austria, Belgium and Luxembourg will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

In Austria, the EU-Savings Directive was implemented by the EU-Withholding Tax Act (*EU-Quellensteuergesetz*), which came into force on July 1, 2005. Under this act, interest payments made by paying agents in Austria to beneficial owners who are individuals resident for tax purposes in another member state are subject to the EU-withholding tax in accordance with the laws of Austria.

Interest payments are subject to the EU-withholding tax in Austria at a rate of 15% during the first three years of the transitional period, 20% for the subsequent three years and 35% thereafter.

No EU-withholding tax will be levied if the beneficial owner presents to the paying agent a certificate in his name from the competent authority of his member state of residence for tax purposes.

### **Taxation in Ireland**

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of the Trust Preferred Securities. The summary relates only to the position of Irish resident persons who are the absolute beneficial owners of the Trust Preferred Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant.

The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Prospectus (which are subject to prospective or retroactive change). Prospective investors in the Trust Preferred Securities should consult their own advisors as to the Irish tax consequences applicable to them.

### ***Taxation of Income***

In general, Irish resident persons are liable to Irish taxation on their worldwide income. Capital Payments constitute periodic distributions in respect of the Trust Preferred Securities and should be treated as income for Irish tax purposes.

Subject to the paragraph immediately below, this income should be taxable as foreign investment income. Irish resident individuals should be taxed on such income at their marginal rate of income tax (up to 41%) plus PRSI and levies (if applicable). Irish resident companies should be taxed on such income at a rate of 25%.

However, there is a possibility that an investment in the Trust Preferred Securities could be treated as a material interest in an "offshore fund". If this proved to be the case, Irish resident individuals could be taxed at a rate of 20% on the Capital Payments received (or 23% if the Capital Payments were paid less frequently than annually) provided that they correctly include such income in their relevant Irish tax return. Irish resident companies would continue to be taxed at a rate of 25% on such income. This 'offshore fund' treatment would only apply if (at the time the Irish resident person acquired the Trust Preferred Securities) it could be reasonably expected that, at some time during the following

seven years, the Irish resident person would be able to realize the value of the Trust Preferred Securities (whether by transfer, surrender or in any other manner).

**Any Irish resident person considering the acquisition of Trust Preferred Securities should consult with their own Irish tax advisers and their local Irish tax inspector to determine whether the foreign investment income regime or the "offshore fund" regime would apply.**

### ***Taxation of Capital Gains***

In general, Irish resident persons are liable to Irish taxation on their worldwide capital gains. Subject to the paragraph immediately below, any gains arising upon the disposal of Trust Preferred Securities by Irish resident persons will be subject to Irish tax at a rate of 20%.

However, if the 'offshore fund' treatment applies to an investment in Trust Preferred Securities, gains will be subject to tax at a rate of 23% (provided that the correct tax returns are made). Additionally, if an Irish resident person did not dispose of Trust Preferred Securities before the eighth anniversary of their acquisition, a charge to tax at 23% automatically arises (as a result of a deemed disposal of such Trust Preferred Securities on such date).

### ***Withholding Tax***

No Irish withholding tax should apply to the Capital Payments once the Irish resident person holding the Trust Preferred Securities has not appointed any Irish collecting or paying agent.

### ***Stamp Duty***

No Irish stamp duty should apply to the issue of the Trust Preferred Securities. No Irish stamp duty should arise on the transfer of Trust Preferred Securities once the transfer is executed outside Ireland and does not relate to either any Irish situate property or anything done or to be done in Ireland. As the Trust Preferred Securities are in registered form, they should not constitute Irish situate property once the register is maintained outside Ireland.

### ***Capital Acquisitions Tax***

If the Trust Preferred Securities are the subject of a gift or inheritance and the disponent is domiciled, resident or ordinarily resident in Ireland or (alternatively) the donee/successor is resident or ordinarily resident in Ireland, Irish capital acquisitions tax may apply at a rate of 20%. Irish capital acquisitions tax could also apply if the Trust Preferred Securities constituted Irish situate property. As noted above, the Trust Preferred Securities ought not to constitute Irish situate property.

### ***Taxation in the Netherlands***

The following is a summary of certain Dutch tax consequences relating to the purchase, ownership, redemption and disposition of the Trust Preferred Securities. This summary does not address any laws other than the tax laws of the Netherlands as currently in effect and in force and as interpreted in published case law by the courts of the Netherlands at the date hereof, and is subject to change after such date, including changes that could have retroactive effect. This section solely addresses the situation of holders of the Trust Preferred Securities resident or deemed resident of the Netherlands for Dutch tax purposes, including an individual holder of Trust Preferred Securities who has opted to be taxed as a resident of the Netherlands for Dutch tax purposes. This summary does not purport to be complete and, in light of the limited nature of this summary, each holder or prospective holder should avoid placing undue reliance on this summary. Each holder or prospective holder of Trust Preferred Securities should consult his or her professional tax advisor with respect to the Dutch tax consequences of an investment in Trust Preferred Securities.



This summary does not address the Dutch tax consequences of an investor who holds a substantial interest (*aanmerkelijk belang*) in the Company within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, a holder of Trust Preferred Securities holds a substantial interest in the Company if such holder, alone or together with his or her partner (a statutorily defined term) or certain other related persons, directly or indirectly, holds: (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company; (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in the Company.

For the purposes of the principal Dutch tax consequences described herein, it is assumed that the Bank, the Company and the Trust are not resident nor deemed to be resident in the Netherlands for Dutch tax purposes.

### ***Withholding Tax***

No Dutch withholding tax is due upon payments on the Trust Preferred Securities.

### ***Dutch Taxes on Income and Capital Gains***

#### *Dutch Resident Entities*

Generally, a holder of Trust Preferred Securities will be subject to Dutch corporate income tax with respect to distributions or capital gains realized upon the redemption, disposal or deemed disposal of Trust Preferred Securities, if the holder is a resident of, or deemed to be resident of, the Netherlands. It is thereby assumed that a holder of Trust Preferred Securities does not hold, either alone or together with affiliated companies (*verbonden lichamen*), an interest of 25% or more in the Trust or the Company.

Unless tax exempt, Dutch resident entities are generally subject to corporate income tax, levied at a rate of 20% on the first € 25,000 of the taxable profits, 23.5% on taxable profits between € 25,000 and € 65,000, and 25.5% on the excess over this amount.

#### *Dutch Resident Individuals*

A holder of Trust Preferred Securities who is a resident of the Netherlands, deemed to be a resident of the Netherlands, or who has elected to be treated as a resident of the Netherlands for Dutch tax purposes is subject to income tax in respect of income or capital gains derived from the Trust Preferred Securities at the progressive rates provided in the Income Tax Act 2001 if:

(i) the holder of the Trust Preferred Securities has an enterprise or an interest in an enterprise to which the Trust Preferred Securities are attributable; or

(ii) the income or gain qualifies as income from employment as defined in Section 3.3 of the Income Tax Act 2001 or income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

If conditions (i) and (ii) provided above do not apply to the individual holder of the Trust Preferred Securities, the holder of the Trust Preferred Securities will be subject to Dutch income tax on a deemed return regardless of actual income derived from the Trust Preferred Securities or gain or loss realized upon disposal or deemed disposal of the Trust Preferred Securities.

The deemed return equals 4% of the average value of the holder's net assets in the relevant fiscal year (including the Trust Preferred Securities). The average value of the holder's net assets in a fiscal year is equal to the sum of the value of the net assets at the beginning of the fiscal year and at the end of the fiscal year divided by two. Taxation only occurs to the extent the average value of the holder's net assets exceeds the "exempt net asset amount" (*heffingsvrij vermogen*) of € 19,698 (year 2007). The deemed return is reduced by the portion of the personal allowances on annual income the holder is entitled to. As so reduced, the deemed return shall be taxed at a rate of 30%.

### ***Dutch gift, estate and inheritance tax***

Dutch gift, estate or inheritance taxes will be due in the Netherlands in respect of the transfer of the Trust Preferred Securities by way of gift by, or on the death of, a holder of the Trust Preferred Securities if at the time of the gift or his or her death the holder is, or is deemed to be, a resident of the Netherlands for the purpose of the relevant provisions.

An individual of Netherlands nationality is deemed to be resident of the Netherlands for the purpose of the Dutch gift and inheritance tax if he or she has been a resident of the Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purpose of the Dutch gift tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift. Applicable tax treaties may override these deemed residency.

### ***Other Taxes***

There is no Dutch registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty, other than court fees, payable in the Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of any agreement relating to the Trust Preferred Securities or the performance of the Company's obligations under the Trust Preferred Securities.

No Dutch value added tax will arise in respect of any payment in consideration for the issue of the Trust Preferred Securities.

### **Taxation in the United Kingdom**

The following is a summary of certain UK tax considerations that may be relevant to a holder of Trust Preferred Securities that is resident (and, in the case of individuals only, ordinarily resident) in the United Kingdom for tax purposes, or who carries on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in connection with which Capital Payments are received or to which the Trust Preferred Securities are attributable (a "**UK Holder**"). The discussion is of a general nature and does not address all UK tax consequences that may be applicable to a UK Holder. It is based on current UK law and published H. M. Revenue & Customs practice as of the date of this prospectus, each of which is subject to change, possibly with retroactive effect.

The summary only considers the treatment of absolute beneficial owners of Trust Preferred Securities (and any Capital Payments) who hold the Trust Preferred Securities as capital assets. It does not address UK tax consequences that may be relevant to certain other categories of holders, for example, brokers, dealers or traders in shares, securities or currencies. It also does not address the UK tax consequences for holders that are banks, financial institutions, insurance companies, collective investment schemes or tax-exempt organizations.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder. Potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the consequences under UK law and H. M. Revenue & Customs ("**HMRC**") practice, of acquisition, ownership and disposition of Trust Preferred Securities in their own particular circumstances, by consulting their own tax advisors.

### ***Taxation of Income and Capital Gains***

UK Holders, will, depending on their individual circumstances, be liable to income tax or corporation tax on the Capital Payments.

The Trust may be regarded as an "offshore fund" for the purposes of the United Kingdom offshore funds legislation contained in Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988. This legislation has the effect, in certain circumstances, of taxing gains arising to per-

sons resident or ordinarily resident in the United Kingdom on disposals of interests in offshore funds as income (calculated without the benefit of taper relief or indexation allowances) rather than capital gains, unless those funds are certified by HMRC to be “distributing funds.” The Trust does not intend to apply for certification as a distributing fund.

If the offshore funds legislation described above does not apply, the disposal or deemed disposal of Trust Preferred Securities by UK Holders may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending on their circumstances and subject to any available exemption or relief.

The rules in Schedule 10 of the United Kingdom Finance Act 1996, under which corporate investors in unit trust schemes or offshore funds are, in certain circumstances, taxed on any increase (or relieved for any decrease) in the open market value of their interests at the end of each accounting period and at the date of disposal of their interest as income, should not apply to corporate UK Holders.

**Potential UK Holders considering the acquisition of Preferred Trust Securities should consult with their own tax advisors to determine whether the “offshore fund” regimes referred to above would apply.**

### ***Withholding tax***

Capital Payments may be made without withholding on account of UK income tax.

### ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No UK stamp duty will be payable on the issue of the Trust Preferred Securities, or on any transfer of the Trust Preferred Securities in accordance with the book-entry procedures described in “Description of the Trust Securities – Form, Book-Entry Procedures and Transfer.”

Provided that all Trustees from time to time of the Trust remain non-UK resident and the Class B Preferred Securities and Trust Preferred Securities are not registered in any register kept in the United Kingdom, the issue of the Trust Preferred Securities and any agreement to transfer Trust Preferred Securities will not be subject to UK SDRT.

### ***Inheritance Tax***

UK inheritance tax may be chargeable on the death of, or in certain circumstances on a gift by the owner of, Trust Preferred Securities, where the owner is an individual who is domiciled or is deemed to be domiciled in the United Kingdom. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rates apply to gifts where the donor reserves or retains some benefit.

### ***European Union Savings Directive***

Under the European Union Directive 2003/48/EU, adopted on June 3, 2003, on the taxation of savings income, each member state of the European Union is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other member state; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%, unless during such period they elect otherwise. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain member states, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in a member state. In addition, the member states have entered into reciprocal provision of information

or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a member state to an individual resident in one of those territories.

Holders should note that no Additional Amounts will be payable in respect of Withholding Taxes imposed pursuant to (i) the European Union Directive on the taxation of savings income, (ii) any international treaty or understanding relating to such taxation and to which the United States, the European Union or Germany is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, regulation, treaty or understanding.

## SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in the Purchase Agreement to be entered into among the Bank, the Company, the Trust and the Managers, the Trust will agree to sell to the Managers and the Managers will agree to purchase the Trust Preferred Securities at a price of 100% (equivalent to U.S.\$ 1,000 per Trust Preferred Security) (the “**Issue Price**”).

The Trust Preferred Securities will be delivered to investors, in book-entry form, against payment on the second business day following the Issue Date. Payment and delivery will be effected through the facilities of Euroclear and Clearstream.

Pursuant to the Purchase Agreement, the Bank will (i) pay the Managers a combined management, underwriting and selling commission and (ii) reimburse the Managers for certain expenses of the Offering. Each of the Company, the Trust and the Bank has agreed to indemnify the Managers against certain liabilities.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Bank and its affiliates, for which the Managers or their affiliates have received or will receive customary fees and commissions.

Other than disclosed in this Prospectus, there are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

### **Selling Restrictions**

#### ***United States of America***

Each of the Managers has represented and agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Trust Preferred Securities within the United States of America or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities, and it will send to each dealer to which it sells Trust Preferred Securities during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Trust Preferred Securities within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the Code, or any entity whose underlying assets include the assets of any such employee benefit plans, plan or arrangements.

#### ***United Kingdom***

Each of the Managers has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended from time to time, or any successor legislation, (“**FSMA**”)) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust or the Company; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

### ***European Economic Area***

In relation to each contracting state of the agreement on the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed 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 Trust Preferred Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Trust Preferred Securities which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Trust Preferred Securities to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual turnover of more than € 50,000,000, as shown in its last annual or consolidated financial statements; or
- (c) in any other circumstances which do not require the publication by the Trust of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Trust Preferred Securities to the public” in relation to any Trust Preferred Securities 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 Trust Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Trust Preferred Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

### ***General***

In addition to the specific restrictions set out above, each Manager agrees that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Trust Preferred Securities or distribute any offering material.



## GENERAL INFORMATION

### Subject of this Prospectus

The subject of this Prospectus are the U.S.\$ 850,000,000 noncumulative Trust Preferred Securities, Liquidation Preference Amount U.S.\$ 1,000 per security, which represent preferred undivided beneficial ownership interests in the assets of BayernLB Capital Trust I, a statutory trust created under the laws of the State of Delaware, United States of America.

### Use of Proceeds

The gross proceeds from the sale of the Trust Securities (aggregating U.S.\$ 850,001,000 including the U.S.\$ 1,000 proceeds from the sale of the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with certain funds contributed by the Bank in return for the Class A Preferred Security and the Company Common Security, to make an investment in the Initial Debt Securities.

The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital. The Bank intends to use the gross proceeds from the sale of the Initial Debt Securities for general corporate purposes.

The Bank will pay certain commissions to the Managers and reimburse the Managers for certain expenses in connection with the Offering. See "Subscription and Sale." The net proceeds to the BayernLB Group are expected to amount to approximately U.S.\$ 841,000,000.

### Clearing Codes

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear, Clearstream Luxembourg and Clearstream AG under the following clearance codes:

ISIN: XS0290135358

Common Code: 029013535

WKN : A0LN69

### Issue Date

The Trust Preferred Securities will be issued on March 9, 2007. The rights attached to the Trust Preferred Securities take effect as of such Issue Date.

### Yield to Maturity

There is no explicit yield to maturity. The Trust Preferred Securities do not carry a fixed date for redemption and the Trust and the Company are not obliged, and under certain circumstances are not permitted, to make payments on the Trust Preferred Securities and Class B Preferred Securities at the full stated rate.

### Listing and Documents for Inspection

Application has been made to the CSSF, as competent authority under the Prospectus Directive, for this Prospectus to be approved. Application has been made to the Luxembourg Stock Exchange for the Trust Preferred Securities to be listed on the Luxembourg Stock Exchange and to be admitted to trading on its regulated market. At the date hereof it is not intended to list the Trust Preferred Securities on any other stock exchange.

For so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange, there will be a paying agent in the city of Luxembourg and Capital Payments and the redemption price, if any, shall be made payable in U.S.\$ at the offices of the Luxembourg Paying Agent.

At any time during the term of the Trust Preferred Securities the most recently published consolidated and non-consolidated audited annual financial statements of the Bank (starting for the year ended December 31, 2005), and, once available, the most recently available annual financial statements of the Trust and the Company (starting for the year ended December 31, 2007), will also be available for inspection and obtainable free of charge at the offices of the Principal Paying Agent.

The Bank does not publish non-consolidated interim financial statements. Unless required by applicable law or regulations, neither the Trust nor the Company prepares interim financial statements.

In addition the following documents will be available for inspection for the life of the Prospectus and obtainable, free of charge, at the offices of the Luxembourg Paying Agent:

- (a) the Articles of Association (*Satzung*) of the Bank;
- (b) the Amended and Restated Limited Liability Company Agreement and Certificate of Formation of the Company;
- (c) the Amended and Restated Trust Agreement and Certificate of Trust of the Trust;
- (d) the form of the Initial Debt Securities; and
- (e) the Support Undertaking.

Copies of these documents as well as financial statements and interim financial statements of the Bank are also available at the office of the Bank, Brienner Strasse 18, D-80333 Munich, Federal Republic of Germany.

### **Internet Addresses**

The Internet address of the Bank is: [www.bayernlb.de](http://www.bayernlb.de). Information included on, or linked to or from, this Internet site does not form part of the Prospectus unless the Prospectus explicitly provides otherwise with respect to a particular document that can be downloaded from the Bank's web site.

### **Notices**

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream and any other relevant securities clearing system for communication by each of them to entitled participants, and so long as the Trust Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, in a daily newspaper of general circulation in Luxembourg (which is expected to be the *Tageblatt – Zeitung fir Lëtzeburg*) or if such Luxembourg Publication (the "**Luxembourg Publication**") is not practicable, in one of the other leading English language newspapers being published on each day in morning editions whether or not it shall be published on Saturdays, Sundays or holidays.

### **Paying Agents**

*Principal Paying Agent*  
Deutsche Bank Aktiengesellschaft  
Grosse Gallusstrasse 10–14  
60272 Frankfurt am Main  
Germany

*Luxembourg Paying Agent*  
Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg

**No Material Change**

Save as described herein, there has been no material adverse change in the financial position or prospects of the Bank since December 31, 2005 or the Trust or the Company since their formation on September 25, 2006.

## INCORPORATION BY REFERENCE

### Historical Financial Information

The following documents which have previously been published or are published simultaneously with this Prospectus have been filed with the CSSF and are incorporated by reference in, and form part of, this Prospectus:

(i) the audited individual (balance sheet and profit and loss account) and the consolidated annual financial statements of the Bank as at and for the years ended December 31, 2005 and 2004, as reflected in the "Audited Financial Information for the Year 2005" and in the "Audited Financial Information for the Year 2004";

(ii) the unaudited consolidated interim financial statements of the Bank as at and for the six-month period ending June 30, 2006 (the "**Group Interim Report**") as reflected in "Group Interim Report as per 30 June 2006 (unaudited)";

## Comparative Table of Documents incorporated by reference

Paragraph of Commission Regulation (EC) No 809/2004.	Heading of Registration Document	Page of Registration Document
11. Historical Financial Information concerning the Bank's assets and liabilities, financial position and profits and losses (Historical Financial Information/Financial Statements/Auditing of historical annual financial information/Interim and other financial information/Legal and arbitration proceedings/Significant change in the Bank's financial position)	<b>Audited Financial Information for the Year 2005</b>	
	• Balance Sheet Bayerische Landesbank	p. F-32 et seq.
	• Profit and Loss Account Bayerische Landesbank	p. F-36 et seq.
	• Consolidated Balance Sheet Bayerische Landesbank Group	p. F-38 et seq.
	• Consolidated Profit and Loss Account Bayerische Landesbank Group	p. F-42 et seq.
	• Statement of Changes in Shareholders' Equity (Consolidated)	p. F-44
	• Cashflow Statement (Consolidated)	p. F-46 et seq.
	• Segment Report (Consolidated)	p. F-49 et seq.
	• Notes to the Accounts and Consolidated Accounts	p. F-53 et seq.
	• Independent Auditor's Report	p. F-89 et seq.
	• Management Report	p. F-5 et seq.
	• Risk Report	p. F-18 et seq.
	<b>Audited Financial Information for the Year 2004</b>	
	• Balance Sheet Bayerische Landesbank	p. G-30 et seq.
	• Profit and Loss Account Bayerische Landesbank	p. G-34 et seq.
	• Consolidated Balance Sheet Bayerische Landesbank Group	p. G-36 et seq.
	• Consolidated Profit and Loss Account Bayerische Landesbank Group	p. G-40 et seq.
	• Statement of Changes in Shareholders' Equity (Consolidated)	p. G-42
	• Cashflow Statement (Consolidated)	p. G-44 et seq.
	• Segment Report (Consolidated)	p. G-47 et seq.
• Notes to the Accounts and Consolidated Accounts	p. G-51 et seq.	
• Independent Auditor's Report	p. G-81	
• Management Report	p. G-4 et seq.	
• Risk Report	p. G-17 et seq.	
11.5 Interim and other financial information	<b>Group Interim Report as per 30 June 2006 (unaudited)</b>	
	• Consolidated Income Statement (key items)	p. H-2
	• Consolidated Balance Sheet (key items)	p. H-2
	• German Banking Act Capital Ratios (key items)	p. H-2
	• Consolidated Segment Report (key items)	p. H-5

Any information not included in the above cross-reference list but included in the documents incorporated by reference is given for information purposes only. A copy of any or all of the documents incorporated herein by reference will be available free of charge from the offices of the Luxembourg

Paying Agent and via the Internet at the website of the Bank ([www.bayernlb.de](http://www.bayernlb.de)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### **Transition to IFRS Accounting**

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and the European Council of July 19, 2002, the Bank will be required to publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS, formerly known as the International Accounting Standards, or IAS) for the fiscal years starting on or after January 2007. The Bank has initiated a so-called IAS-Project to ensure complete and timely compliance with this regulation. Having completed a conceptual phase, the Bank is currently implementing group-wide changes in systems and processes necessary for the adoption of IFRS. Based on this implementation, the Bank will prepare its opening balance sheet for 2007 and the comparable financial data with respect to 2006. The first publication of the bank's consolidated financial statements prepared in accordance with IFRS will be with respect to the fiscal year ended, and as of, December 31, 2007.



## APPENDIX A: FORM OF SUPPORT UNDERTAKING

This support undertaking (the "**Agreement**"), dated March 9, 2007 is entered into between Bayerische Landesbank, a public law institution, (the "**Bank**") and BayernLB Capital LLC I, a Delaware limited liability company (the "**Company**").

WITNESSETH:

WHEREAS, the Bank owns the Company Common Security (as defined below);

WHEREAS, pursuant to the LLC Agreement (as defined below), the Company will issue the Class A Preferred Security (as defined below) to the Bank, and the Class B Preferred Securities (as defined below) to the Trust (as defined below);

WHEREAS, pursuant to the Trust Agreement (as defined below), the Trust will issue the Trust Preferred Securities (as defined below) with the same terms as, and representing corresponding amounts of, the Class B Preferred Securities;

WHEREAS, the Company intends to use the proceeds from the issuance of the Class B Preferred Securities to purchase subordinated notes of the Bank;

WHEREAS, the Company may from time to time declare Capital Payments (as defined below) on the Class B Preferred Securities pursuant to and in accordance with the LLC Agreement; and

WHEREAS, the Bank wishes to undertake for the benefit of the Company and all current and future holders of the Class B Preferred Securities that (i) so long as Class B Preferred Securities remain outstanding, the Bank will maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security, (ii) the Company will at all times be in a position to meet its obligations when due and payable, including its obligation to pay Capital Payments and the Redemption Price (as defined below) or the Early Redemption Price (as defined below), as the case may be, plus, in each case, Additional Amounts (as defined below) thereon, if any, and (iii) in liquidation or dissolution, the Company will have sufficient funds to pay the Liquidation Preference Amount (as defined below), including accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the date of liquidation or dissolution, and Additional Amounts, if any.

NOW, THEREFORE, the parties agree as follows:

Section 1. *Certain Definitions.*

"**Additional Amounts**" has the meaning specified in the LLC Agreement.

"**Agreement**" has the meaning specified in the preamble.

"**Bank**" has the meaning specified in the preamble.

"**Capital Payment Period**" has the meaning specified in the LLC Agreement.

"**Capital Payments**" means any capital payments or other distributions at any time after the date hereof declared by the Board of Directors of the Company (or deemed declared in accordance with the LLC Agreement), but not yet paid, on the Class B Preferred Securities.

"**Class A Preferred Security**" means the class of preferred limited liability company interests in the Company designated as Class A.

"**Class B Preferred Securities**" means the class of preferred limited liability company interests in the Company designated as Class B, with a liquidation preference amount of U.S.\$ 1,000 per security.

"**Company**" has the meaning specified in the preamble.

**“Company Common Security”** means the common limited liability company interest of the Company.

**“Early Redemption Price”** means the greater of (A) the Redemption Price per Class B Preferred Security and (B) the Make-Whole Amount.

**“Independent Enforcement Director”** means the independent member of the Board of Directors of the Company elected by the holders of the Class B Preferred Securities upon the occurrence of certain events in accordance with, and under the terms set forth in, the LLC Agreement.

**“Liquidation Preference Amount”** means the stated Liquidation Preference Amount of the Class B Preferred Securities and any other amounts due and payable under the LLC Agreement upon the voluntary or involuntary liquidation, dissolution, winding up or termination of the Company to the holders of the Class B Preferred Securities.

**“LLC Agreement”** means the limited liability company agreement of the Company dated as of September 25, 2006, as amended and restated as of March 9, 2007 and as the same may be further amended from time to time in accordance with its terms.

**“Make-Whole Amount”** has the meaning specified in the LLC Agreement.

**“Person”** means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

**“Redemption Price”** has the meaning specified in the LLC Agreement.

**“Trust”** means BayernLB Capital Trust I, a Delaware statutory trust established pursuant to a Trust Agreement dated as of September 25, 2006, as amended and restated in the amended and restated trust agreement dated as of March 9, 2007 and as the same may be further amended from time to time in accordance with its terms (the **“Trust Agreement”**).

**“Trust Preferred Securities”** means the noncumulative Trust Preferred Securities issued by the Trust.

#### Section 2. *Support Undertaking.*

- (a) The Bank undertakes to ensure that the Company shall at all times be in a position to meet its obligations if and when such obligations are due and payable, including its obligations to pay Capital Payments declared or deemed declared on the Class B Preferred Securities and payments due upon redemption of the Class B Preferred Securities, plus, in each case, Additional Amounts thereon, if any.
- (b) The Bank undertakes to ensure that in the event of any liquidation or dissolution of the Company, the Company shall have sufficient funds to pay the Liquidation Preference Amount (including accrued and unpaid Capital Payments for the then current Capital Payment Period up to, but excluding, the date of liquidation or dissolution and Additional Amounts, if any).
- (c) The obligations of the Bank under this Section 2 shall be subordinated to all senior and subordinated debt obligations of the Bank (including profit participation rights (*Genussrechte*)), and will rank at least *pari passu* with each class of the most senior ranking preference shares, if any, that rank senior to the interests in the endowment capital of the Bank as to liquidation rights and with other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and interests in the endowment capital of the Bank.
- (d) This Agreement shall not constitute a guarantee or undertaking of any kind that the Company will at any time have sufficient assets, or be authorized pursuant to the LLC Agreement, to declare a Capital Payment or other distribution.

#### Section 3. *Third Party Beneficiaries and Enforcement of Rights.*

- (a) The parties hereto agree that this Agreement is entered into for the benefit of the Company and all current and future holders of the Class B Preferred Securities and that the Company and any

holder of any such Class B Preferred Securities may severally enforce the obligations of the Bank under Section 2.

(b) The parties hereto acknowledge that, as provided in the LLC Agreement, if a holder of Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation then due hereunder, and such failure continues for sixty (60) days or more after such notice is given, the holders of a majority in liquidation preference amount of the Class B Preferred Securities shall have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under this Agreement.

Section 4. *No Exercise of Rights.* The Bank shall not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Class B Preferred Securities are outstanding.

Section 5. *Burden of Proof.* Any failure of the Company to pay Capital Payments, the Redemption Price, the Early Redemption Price or Liquidation Preference Amounts (or any part thereof), plus, in each case, Additional Amounts, if any, when due and payable, shall constitute prima facie evidence of a breach by the Bank of its obligation hereunder. The Bank shall have the burden of proof that the occurrence of such breach results neither from its negligent nor its intentional misconduct.

Section 6. *No Senior Support to Other Subsidiaries.* The Bank undertakes that it shall not give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support or payment of any amounts in respect of, any other preference shares or similar instruments (or instruments ranking *pari passu* with or junior to preference shares or similar instruments) of any other affiliated entity that would in any regard rank senior in right of payment to the Bank's obligations under this Agreement, *unless* the parties hereto modify this Agreement so that the Bank's obligations under this Agreement rank at least *pari passu* with, and contain substantially equivalent rights of priority as to payment as, such guarantee or support agreement.

Section 7. *Continued Ownership of the Class A Preferred Security and the Company Common Security.* The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Section 8. *No dissolution of the Company.* Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Bank shall not permit the Company to be dissolved until all obligations under this Agreement have been paid in full pursuant to its terms.

Section 9. *Modification and Termination.* So long as any Class B Preferred Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Class B Preferred Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

Section 10. *No Assignment.* So long as any Class B Preferred Securities remain outstanding, the Bank shall not assign its rights or obligations under this Agreement to any Person without the consent of 100% of the holders of such Class B Preferred Securities.

Section 11. *Successors.* This Agreement will be binding upon successors to the parties.

Section 12. *Severability.* Should any provision of this Agreement be found invalid, illegal or unenforceable for any reason, it is to be deemed replaced by the valid, legal and enforceable provision most closely approximating the intent of the parties, as expressed in such provision, and the validity, legality and enforceability of the remainder of this Agreement will in no way be affected or impaired thereby.

Section 13. *Governing Law and Jurisdiction.* This Agreement shall be governed by and construed in accordance with, the laws of the Federal Republic of Germany and the parties irrevocably submit to the non-exclusive jurisdiction of the district court (*Landgericht*) in Munich, Federal Republic of Germany.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

**BAYERISCHE LANDESBANK**

By:  
Name:  
Title:

By:  
Name:  
Title:

**BAYERNLB CAPITAL LLC I**

By:  
Name:  
Title:

By:  
Name:  
Title:

## DEFINITIONS

**“3-month LIBOR”** for any Capital Payment Period or Interest Payment Period commencing on or after May 31, 2017 will be determined by the Calculation Agent on the day (the **“Floating Rate Reset Date”**) falling two London Business Days prior to first day of the relevant Capital Payment Period or Interest Payment Period and shall be the per annum rate published on page 3750 of the Telerate Monitor (or such other screen page of Telerate or such other information service that is designated as the successor to page 3750 of the Telerate Monitor for the purpose of displaying such rates (the **“Screen Page”**)) on the relevant Floating Rate Reset Date as of 11:00 a.m. (London time) as the rate offered in the London interbank market for deposits in U.S. dollars for the relevant Capital Payment Period or Interest Payment Period. If such rate does not appear on the Screen Page, then the Calculation Agent will determine the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the rates which four major banks in the London interbank market selected by the Calculation Agent (the **“Reference Banks”**) quote to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on the relevant Floating Rate Reset Date for deposits in U.S. dollars for such Capital Payment Period or Interest Payment Period. If at least two such quotations are provided, the rate for such Capital Payment Period or Interest Payment Period will be the arithmetic mean of the quotations. If fewer than two quotations as referred to in the preceding sentence are provided as requested, the rate for such Capital Payment Period or Interest Payment Period will be the arithmetic mean (rounded as aforesaid) determined by the Calculation Agent, of the rates quoted at approximately 11:00 a.m., New York City time, on such Floating Rate Reset Date by at least three major banks in New York City selected by the Calculation Agent to leading European banks for loans in U.S. dollars for such Capital Payment Period or Interest Payment Period and in a principal amount that is representative for a single transaction at such time. If the banks so selected by the Calculation Agent are not quoting as referred to in the preceding sentence, the rate for such Capital Payment Period or Interest Payment Period will be the 3-month LIBOR rate in effect on the Business Day immediately preceding the relevant Floating Rate Reset Date.

**“1940 Act”** means the U.S. Investment Company Act of 1940, as amended.

**“Additional Amounts”** means any additional amounts payable by the Company or the Trust pursuant to the terms of the Class B Preferred Securities and the Trust Preferred Securities as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after deduction or withholding for or on account of any Withholding Taxes, on payments thereon and any amount payable in liquidation or on repayment upon redemption thereof, will equal the amounts that otherwise would have been received had no such deduction or withholding been required.

**“Additional Interest Amounts”** means any additional interest amounts payable by the Bank or another obligor pursuant to the terms of the Debt Securities as may be necessary in order that the net amounts received by the Company as a result of deduction or withholding upon payment of interest on the Debt Securities or repayment upon redemption thereof will equal the amount that otherwise would have been received had no such deduction or withholding been required.

**“Administrative Action”** means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt certain procedures or regulations) by any legislative body, court, governmental authority or regulatory body.

**“BaFin”** means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

**“Bank”** means Bayerische Landesbank, Munich, a public law financial institution (*Rechtsfähige Anstalt des öffentlichen Rechts*) under the laws of Germany.

**“BayernLB Group”** means the Bank and its consolidated subsidiaries.

**“BayernLB Group Company”** means the Bank or a Qualified Subsidiary.

**“Board of Directors”** means the board of directors of the Company.

**“Business Day”** means a day other than Saturday or Sunday or a day on which banks in the City of New York are required by law or executive order to close.

**“Bylaws”** means the by-laws of the Company.

**“Calculation Agent”** means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany.

**“Capital Payment Date”** means each Fixed Rate Payment Date and each Floating Rate Payment Date.

**“Capital Payment Period”** means the period from and including a Capital Payment Date (or, in the case of the first Capital Payment Period, the Issue Date) to, but excluding, the next succeeding Capital Payment Date.

**“Capital Payments”** means the periodic distributions on the Trust Preferred Securities and the Class B Preferred Securities.

**“Class A Preferred Security”** means the noncumulative Class A Preferred Security representing a limited liability company interest in the Company.

**“Class B Preferred Securities”** means the noncumulative Class B Preferred Securities representing limited liability company ownership interests in the Company.

**“Clearstream”** means Clearstream Banking, *société anonyme*, Luxembourg.

**“Code”** means the United States Internal Revenue Code of 1986, as amended.

**“Common Depository”** means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, and its successors, in its capacity as Common Depository for Euroclear and Clearstream.

**“Company”** means BayernLB Capital LLC I, a Delaware limited liability company.

**“Company Common Security”** means the voting common security representing an ownership interest in the Company.

**“Company Preferred Securities”** means the Class A Preferred Security and the Class B Preferred Securities.

**“Company Securities”** means the Company Common Security and the Company Preferred Securities.

**“Company Special Redemption Event”** means (i) a Regulatory Event, (ii) a Tax Event, (iii) a Gross-up Event or (iv) an Investment Company Act Event solely with respect to the Company.

**“Company Successor Securities”** means other securities substituted for the Class B Preferred Securities having substantially the same terms as the Class B Preferred Securities.

**“Debt Redemption Date”** means the date fixed for redemption of the Initial Debt Securities.

**“Debt Securities”** means the Initial Debt Securities and the Substitute Debt Securities.

**“Debt Make-Whole Amount”** means the amount as determined by the Quotation Agent, equal to the sum of (i) the present value of a payment of the Principal Amount, discounted from the Initial Debt Redemption Date to the Debt Redemption Date, and (ii) the present values of all scheduled annual interest payments, including payments of interest that would accrue from the Debt Redemption Date to the next Interest Payment Date (if the Debt Redemption Date is not an Interest Payment Date), at



the Stated Rate during the Debt Remaining Life, discounted from such scheduled Interest Payment Date to the Debt Redemption Date, in each case on an annual basis at a per annum rate equal to the applicable Treasury Rate plus 0.6%.

**“Debt Remaining Life”** means the period from the Debt Redemption Date to the Initial Debt Redemption Date.

**“Delaware Trustee”** means Deutsche Bank Trust Company Delaware.

**“Distributable Profits”** of the Bank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of the Bank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from previous years, minus any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the provisions of the Act on Bayerische Landesbank, the Statutes (*Satzung*) of the Bank and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect. In determining the availability of sufficient Distributable Profits of the Bank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments, dividends or other distributions already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits.

**“Dollars,” “U.S. Dollars” and “U.S.\$”** means the lawful currency of the United States of America.

**“Early Redemption Price”** means the greater of (A) the Redemption Price per Class B Preferred Security and (B) the Make-Whole Amount.

**“Enforcement Event”** under the Trust Agreement with respect to the Trust Securities means the occurrence, at any time, of (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full as and when due, for two consecutive Capital Payment Periods or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking, provided that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated.

**“Euroclear”** means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

**“Fixed Rate”** means the fixed coupon rate of 6.2032% per annum for the accrual of Capital Payments (or, in the case of the Initial Debt Securities, for the accrual of interest) for any Capital Payment Period (or, as applicable, any Interest Payment Period) ending prior to the Reset Date.

**“Fixed Rate Payment Date”** means May 31 of each year, from and including May 31, 2007, to and including May 31, 2017.

**“Floating Rate”** means, for the accrual of Capital Payments (or, in the case of the Initial Debt Securities, for the accrual of interest) for any Capital Payment Period (or, as applicable, any Interest Payment Period) commencing on or after the Reset Date, 3-month LIBOR (as defined herein) for such Capital Payment Period plus a margin of 1.98% per annum).

**“Floating Rate Payment Date”** means each February 28 (but in a leap year February 29), May 31, August 31 and November 30 occurring after May 31, 2017.

**“Global Certificates”** means the Permanent Global Certificates together with the Temporary Global Certificates.

**“Global Securities”** means one or more global certificates representing the Class B Preferred Securities which the Company will use reasonable efforts to have issued and registered in the name of the Common Depository if the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust.

**“Gross-up Event”** means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that the Trust, the Company, the Bank or the relevant obligor of the Debt Securities would be obligated to pay Additional Amounts or Additional Interest Amounts. However, none of the foregoing will constitute a Gross-up Event if it may be avoided by the Bank (or the relevant obligor of the Debt Securities), the Trust or the Company taking reasonable measures under the circumstances.

**“Independent Enforcement Director”** means the independent member of the Board of Directors elected by the holders of the Class B Preferred Securities under specified circumstances.

**“Initial Debt Redemption Date”** means May 31, 2017, which is the first day on which the Initial Debt Securities will be redeemable, in whole but not in part, by the Bank other than upon the occurrence of a Company Special Redemption Event or in the event of replacement with Substitute Debt Securities.

**“Initial Debt Securities”** means subordinated notes of the Bank to be acquired by the Company using the proceeds from the issuance of the Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

**“Initial Redemption Date”** means May 31, 2017, which is the first day on which the Class B Preferred Securities will be redeemable, in whole but not in part, at the option of the Company, other than upon the occurrence of a Company Special Redemption Event.

**“Interest Payment Date”** means, in respect of the Initial Debt Securities, each Fixed Rate Payment Date and each Floating Rate Payment Date.

**“Interest Payment Period”** means, in respect of the Initial Debt Securities, the period from and including an Interest Payment Date (or, in the case of the first Interest Payment Period, the Issue Date) to, but excluding, the next succeeding Interest Payment Date.

**“Investment Company”** means an investment company within the meaning of the 1940 Act.

**“Investment Company Act Event”** means the request and receipt by the Bank of an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an Investment Company as a result of (i) any judicial decision, pronouncement or interpretation (irrespective of the manner made known), or (ii) the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation), by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the date of issuance of the Company Securities and the Trust Securities.

**“IRS”** means the United States Internal Revenue Service.

**“Issue Date”** means March 9, 2007, the date of issue of the Trust Preferred Securities.

**“Issue Price”** means the initial offering price of 100% (equivalent to U.S.\$ 1,000 per Trust Preferred Security).

**“Junior Distributions”** means capital payments, dividends or other distributions on Junior Securities (excluding capital payments, dividends or other distributions by a subsidiary of the Bank exclusively to the Bank or a wholly-owned subsidiary of the Bank).

**“Junior Securities”** means (i) interests in the endowment capital (*Grundkapital*) of the Bank, (ii) each class of preference shares of the Bank ranking junior to Parity Securities of the Bank, if any, and any other instrument of the Bank ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking junior to the obligations of the Bank under the Support Undertaking.

**“Liquidation Preference Amount”** means the Liquidation Preference Amount of U.S.\$ 1,000 per Trust Preferred Security.

**“LLC Act”** means the Delaware Limited Liability Company Act, as amended.

**“LLC Agreement”** means the amended and restated limited liability company agreement of the Company.

**“London Business Day”** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in the City of London.

**“Luxembourg Paying and Transfer Agent”** means Deutsche Bank Luxembourg S.A. and its successors in its capacity as paying agent and transfer agent (*Agent chargé du service financier*) in Luxembourg.

**“Make-Whole Amount”** means the amount as determined by the Quotation Agent, equal to the sum of (i) the present value of a payment of the liquidation preference amount of the Class B Preferred Securities, discounted from the Initial Redemption Date to the Redemption Date, and (ii) the present values of all scheduled annual Capital Payments (whether or not declared or deemed declared by the Company), including Capital Payments that would accrue from the Redemption Date to the next Capital Payment Date (if the Redemption Date is not a Capital Payment Date), at the Stated Rate during the Remaining Life, discounted from such scheduled Capital Payment Date to the Redemption Date, in each case on an annual basis, at a per annum rate equal to the applicable Treasury Rate plus 0.6%.

**“Managers”** means the financial institutions named as Managers on the cover page hereof.

**“Maturity Date”** means, in respect of the Initial Debt Securities, May 31, 2037.

**“Member Organization”** means a direct or indirect account holder at a participant in Euroclear or Clearstream.

**“Non-U.S. Persons”** means persons who acquire Trust Preferred Securities in compliance with Regulation S.

**“Offering”** means the offering by BayernLB Capital Trust I of the Trust Preferred Securities.

**“Operating Profits”** of the Company for any Capital Payment Period means the excess of the amounts payable (whether or not paid) on the Debt Securities or, after the Maturity Date, on the Permitted Investments that the Company may then hold in accordance with the LLC Agreement during such Capital Payment Period, over any operating expenses of the Company not paid or reimbursed by the Bank or one of its branches or affiliates during such Capital Payment Period, plus any reserves.

**“Original Trust Preferred Securityholder”** means a person that acquires Trust Preferred Securities on their original issue at their original Issue Price.

**“Parity Securities”** means each class of the most senior ranking preference shares, if any, that rank senior to the endowment capital (*Grundkapital*) of the Bank as to liquidation rights or other noncumulative instruments of the Bank qualifying as Tier I regulatory capital, and Parity Subsidiary Securities.

**“Parity Subsidiary Securities”** means preference shares or other noncumulative instruments qualifying as consolidated Tier I regulatory capital of the Bank, or any other instrument of a Subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking *pari passu* with the obligations of the Bank under the Support Undertaking.

**“Permanent Global Certificates”** means permanent global certificates representing the Trust Preferred Securities.

**“Permitted Investments”** means investments by the Company in debt obligations or one or more Qualified Subsidiaries unconditionally guaranteed by the Bank on a subordinated basis or in U.S. Treasury securities; *provided*, in each case, that such investment does not result in a Company Special Redemption Event.

**“Potential Securityholder”** means the Bank or a Qualified Subsidiary.

**“Primary Treasury Dealer”** means a primary U.S. Government securities dealer in New York City.

**“Principal Amount”** means U.S.\$ 850,027,000 (equal to the gross proceeds from the issuance of the Class B Preferred Securities plus certain amounts contributed by the Bank for the Class A Preferred Security and the Company Common Security).

**“Principal Paying Agent”** means Deutsche Bank Aktiengesellschaft, Frankfurt am Main, and its successors, in its capacity as Principal Paying Agent with respect to the Trust Preferred Securities.

**“Property Account”** means a segregated non-interest bearing trust account in the name of and under the exclusive control of the Property Trustee.

**“Property Trustee”** means Deutsche Bank Trust Company Americas or any successor entity, in its capacity as property trustee of the Trust.

**“Purchase Agreement”** means the purchase agreement entered into among the Bank, the Company, the Trust and the Managers, pursuant to which the Trust agreed to sell to the Managers and the Managers agreed to purchase the Trust Preferred Securities.

**“Qualified Subsidiary”** means a subsidiary that is consolidated with the Bank for German bank regulatory purposes of which more than 50% of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) and of which more than 50% of the outstanding capital stock or other equity interest is, at the time, beneficially owned or controlled directly or indirectly by the Bank, which subsidiary meets the definition of “a company controlled by its parent company” as defined in Rule 3a-5 under the 1940 Act.

**“Quotation Agent”** means Deutsche Bank Securities Inc. and its successors; provided, however, that if the foregoing will cease to be a Primary Treasury Dealer, Quotation Agent shall mean any new Primary Treasury Dealer appointed by the Bank.

**“Redemption Date”** means the date of redemption of the Class B Preferred Securities.

**“Redemption Notice”** means notice of any redemption of the Class B Preferred Securities.

**“Redemption Price”** means a redemption price per Class B Preferred Security equal to the liquidation preference amount thereof, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to but excluding the Redemption Date.

**“Regular Trustee”** means three of the Trustees who are employees or officers of Deutsche Bank Trust Company Delaware that has been mandated by the Bank to provide such services.

**“Regulation S”** means Regulation S under the Securities Act.

**“Regulatory Event”** means that (i) the Bank is notified by a relevant regulatory authority that, as a result of the occurrence of any amendment to, or change (including any change that has been adopted but not yet become effective) in, the applicable banking laws of the Federal Republic of Germany (or any rules, regulations, interpretations or administrative practice thereunder, including rulings of the relevant banking authorities) or the guidelines of the Basel Committee for Banking Supervision after March 7, 2007, the Bank is not, or will not be, allowed to treat either the Class B Preferred Securities or the Trust Preferred Securities as Tier I regulatory capital for capital adequacy purposes on a consolidated basis, or (ii) the BaFin notifies the Bank or otherwise announces that neither the Class B Preferred Securities nor the Trust Preferred Securities (or securities substantially similar to the Class B Preferred Securities or the Trust Preferred Securities) may or may any longer be treated as Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

**“Relevant Jurisdiction”** means the United States of America, Germany or the jurisdiction of residence of any obligor of the Debt Securities or any jurisdiction from which payments on the Trust Preferred Securities, the Class B Preferred Securities or the Debt Securities are made.

**“Remaining Life”** means the period from the Redemption Date to and including the Initial Redemption Date.

**“Reset Date”** means May 31, 2017.

**“Restricted Period”** means the period ending on the expiry of the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities.

**“Securities Act”** means the United States Securities Act of 1933, as amended.

**“Servicer”** means Deutsche International Corporate Services (Delaware) LLC.

**“Services Agreement”** means the services agreement among the Trust, the Company and the Servicer.

**“Stated Rate”** means (i) for each Capital Payment Period or Interest Payment Period ending before the Reset Date, the Fixed Rate and (ii) for each Capital Payment Period or Interest Payment Period beginning on or after the Reset Date, the Floating Rate.

**“Subsidiary”** means any entity that is directly or indirectly controlled by the Bank and has a minimum amount of paid-up capital of more than € 100,000.

**“Substitute Debt Securities”** means any debt securities issued in substitution for the Initial Debt Securities.

**“Successor Securities”** means other securities having substantially the same terms as the Trust Securities.

**“Support Undertaking”** means the support agreement between the Bank and the Company as set forth in Appendix A.

**“Tax Event”** means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in,



the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Bank or any other obligor of the Debt Securities (x) may not, in the determination of its taxable income for the purposes of determining German corporate income tax in any year, deduct in full interest payments on the Debt Securities (except to the extent such interest payments are determined to be connected with income of a branch that is not subject to taxation in Germany), or (y) would, other than in cases where the Capital Payments may not be declared by the Company, be subject to tax or income of the Company under the rules of the German Foreign Taxation Act (*Außensteuergesetz*). However, none of the foregoing will constitute a Tax Event if it may be avoided by the Bank (or the relevant obligor of the Debt Securities), the Trust or the Company taking reasonable measures under the circumstances.

**“Temporary Global Certificates”** means temporary global certificates representing the Trust Preferred Securities.

**“Treasury Rate”** means (i) the yield, under the heading which represents the average for the immediately prior week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the U.S. Federal Reserve and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the (Debt) Remaining Life (if no maturity is within three months before or after the (Debt) Remaining Life, yields for two published maturities most closely corresponding to the (Debt) Remaining Life will be determined and the Treasury Rate will be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the (Debt) Redemption Date. The Treasury Rate will be calculated on the third Business Day preceding the (Debt) Redemption Date. In the case of (i) and (ii) above, such Treasury Rate will be adjusted in accordance with customary financial practice to account for (x) differences in the day count convention between the Class B Preferred Securities and United States Treasury securities and (y) differences between semi-annual payments on the United States Treasury securities and annual payments on the Class B Preferred Securities for Capital Payment Periods or Interest Payment Periods ending prior to the Reset Date. For this purpose:

**“Comparable Treasury Issue”** means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the Remaining Life that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the (Debt) Remaining Life. If no United States Treasury security has a maturity which is within a period from three months before to three months after the Initial (Debt) Redemption Date, the two most closely corresponding United States Treasury securities will be used as the Comparable Treasury Issue, and the Treasury Rate will be interpolated or extrapolated on a straight-line basis, rounding to the nearest month using such securities.

**“Comparable Treasury Price”** means with respect to the relevant (Debt) Redemption Date (A) the average of five Reference Treasury Dealer Quotations for the (Debt) Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Quotations.

**“Reference Treasury Dealer”** means (i) the Quotation Agent and (ii) any other Primary Treasury Dealer selected by the Quotation Agent.



**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and the (Debt) Redemption Date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p. m., New York City time, on the third Business Day preceding the (Debt) Redemption Date.

**“Trust”** means BayernLB Capital Trust I, a statutory trust created under the laws of the State of Delaware, United States of America.

**“Trust Act”** means the Delaware Statutory Trust Act, as amended.

**“Trust Agreement”** means the trust agreement among the Trustees and the Company, as sponsor, as amended and restated.

**“Trust Common Security”** means one common security of the Trust.

**“Trust Preferred Securities”** means U.S.\$ 850,000,000 registered noncumulative Trust Preferred Securities offered in the Offering.

**“Trust Securities”** means the Trust Common Security together with the Trust Preferred Securities.

**“Trust Special Redemption Event”** means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, (ii) a Gross-up Event solely with respect to the Trust, but not with respect to the Company or (iii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

**“Trustees”** means the trustees of the Trust, pursuant to the Trust Agreement.

**“U.S. Person”** has the meaning given to it in Regulation S, unless otherwise specified.

**“Withholding Taxes”** means any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of a Relevant Jurisdiction or any political subdivision or authority therein or thereof having the power to tax by way of withholding or deduction.

## DEFINITIONEN

„**3-Monats-LIBOR**“ wird für einen Zahlungszeitraum bzw. Zinszahlungszeitraum, der am oder nach dem 31. Mai 2017 beginnt, durch die Berechnungsstelle an dem Tag festgelegt (der „**Reset-Tag für die Variable Ausschüttungsrate**“), der zwei Londoner Geschäftstage vor dem ersten Tag des maßgeblichen Zahlungszeitraums bzw. Zinszahlungszeitraums liegt und ist ein jährlicher Zinssatz, der auf Seite 3750 des Telerate-Monitors (oder einer anderen Bildschirmseite von Telerate oder einem anderen Informationsdienst, der als Nachfolger für Seite 3750 des Telerate-Monitors für das Anzeigen dieser Sätze bestimmt wird (die „Bildschirmseite“)) am maßgeblichen Reset-Tag für die Variable Ausschüttungsrate um 11.00 Uhr (Londoner Zeit) als der auf dem Londoner Interbankenmarkt angebotene Zinssatz für Einlagen in US-Dollar für den maßgeblichen Zahlungszeitraum bzw. Zinszahlungszeitraum veröffentlicht wird. Sollte dieser Kurs nicht auf der Bildschirmseite erscheinen, wird die Berechnungsstelle das arithmetische Mittel (gegebenenfalls auf das nächste Tausendstel eines Prozentpunkts gerundet, wobei 0,0005 aufgerundet wird) der Zinssätze bestimmen, die vier von der Berechnungsstelle ausgewählte große Banken (die „Referenzbanken“) Banken mit erstklassigem Standing (Prime Banks) im Londoner Interbankenmarkt um etwa 11.00 Uhr (Londoner Zeit) am maßgeblichen Reset-Tag für die Variable Ausschüttungsrate für Einlagen in US-Dollar für diesen Zahlungszeitraum bzw. Zinszahlungszeitraum anbieten. Wenn mindestens zwei derartige Quotierungen vorliegen, ist der Kurs für diesen Zahlungszeitraum bzw. Zinszahlungszeitraum das arithmetische Mittel der Quotierungen. Werden weniger als die im vorstehenden Satz genannten zwei Quotierungen wie verlangt angeboten, so ist der Kurs für diesen Zahlungszeitraum das (wie vorstehend angegeben gerundete) von der Berechnungsstelle bestimmte arithmetische Mittel der Zinssätze, die mindestens drei große, von der Berechnungsstelle ausgewählte Banken in New York City um etwa 11.00 Uhr New Yorker Zeit an diesem Reset-Tag für die Variable Ausschüttungsrate führenden europäischen Banken für Darlehen in US-Dollar für diesen Zahlungszeitraum bzw. Zinszahlungszeitraum und zu einem Nennbetrag, der zu diesem Zeitpunkt für eine einzelne Transaktion repräsentativ ist, anbieten. Sollten die auf diese Weise von der Berechnungsstelle ausgewählten Banken nicht wie im vorstehenden Satz beschriebene Kurse stellen, so entspricht der Kurs für diesen Zahlungszeitraum bzw. Zinszahlungszeitraum dem 3-Monats-LIBOR, der am Geschäftstag, welcher dem maßgeblichen Reset-Tag für die Variable Ausschüttungsrate unmittelbar vorangeht, gültig war.

„**1940 Act**“ bedeutet der Investment Company Act von 1940 in seiner jeweils gültigen Fassung.

„**Kompensationsbetrag**“ bedeutet den von der Quotierungsstelle festgelegten Betrag, entsprechend der Summe aus (i) dem Barwert einer Zahlung des Liquidationsvorzugsbetrags der Class-B-Preferred-Wertpapiere, abgezinst vom Anfänglichen Einziehungstag bis zum Einziehungstag, und (ii) den Barwerten aller planmäßigen jährlichen Ausschüttungen (unabhängig davon, ob von der Gesellschaft beschlossen oder als beschlossen geltend), einschließlich der Ausschüttungen, die vom Einziehungstag bis zum nächsten Zahlungstag auflaufen würden (sofern der Einziehungstag nicht auf einen Zahlungstag fällt), und zwar zum Festgelegten Zinssatz für die Restlaufzeit, abgezinst von dem planmäßigen Zahlungstag bis zum Einziehungstag, jeweils auf jährlicher Basis, mit einem jährlichen Zinssatz entsprechend der gültigen Treasury Rate zuzüglich 0,6%.

„**Schuldverschreibungs-Kompensationsbetrag**“ bedeutet den von der Quotierungsstelle festgelegten Betrag, entsprechend der Summe aus (i) dem Barwert einer Zahlung des Nennbetrags, abgezinst vom Anfänglichen Schuldverschreibungs-Einziehungstag bis zum Schuldverschreibungs-Einziehungstag, und (ii) den Barwerten aller planmäßigen jährlichen Zinszahlungen, einschließlich der Zinszahlungen, die vom Schuldverschreibungs-Einziehungstag bis zum nächsten Zinszahlungstag auflaufen würden (sofern der Schuldverschreibungs-Einziehungstag nicht auf einen Zinszahlungstag fällt), und zwar zum Festgelegten Zinssatz für die Schuldverschreibungs-Restlaufzeit, abgezinst von dem planmäßigen Zinszahlungstag bis zum Schuldverschreibungs-Einziehungstag, jeweils auf jährlicher Basis, mit einem jährlichen Zinssatz entsprechend der gültigen Treasury Rate zuzüglich 0,6%.

„**Anfänglicher Einziehungstag**“ bedeutet den 31. Mai 2017, der erste Tag, an dem die Class-B-Preferred-Wertpapiere nach Wahl der Gesellschaft, ganz, aber nicht teilweise, eingezogen werden können; bei Eintritt eines Gesellschafts-Sonderkündigungsfalls können die Class-B-Preferred-Wertpapiere jedoch auch vor diesem Zeitpunkt eingezogen werden.

„**Anfängliche Schuldverschreibungen**“ bedeutet die von der Bank auszugebenen nachrangigen Schuldverschreibungen, die von der Gesellschaft mit dem Emissionserlös aus der Begebung der Class-B-Preferred-Wertpapiere, des Class-A-Preferred-Wertpapiers und des Gesellschafts-Stammanteils erworben werden.

„**Anfänglicher Schuldverschreibungs-Einziehungstag**“ bedeutet den 31. Mai 2017, der erste Tag, an dem die Anfänglichen Schuldverschreibungen ganz, aber nicht teilweise, durch die Bank vorzeitig zurückgezahlt werden können; bei Eintritt eines Gesellschafts-Sonderkündigungsfalls oder im Falle der Ersetzung durch Ersatz-Schuldverschreibungen können die Anfänglichen Schuldverschreibungen jedoch auch vor diesem Zeitpunkt vorzeitig zurückgezahlt werden.

„**Angebot**“ bedeutet das Angebot der Trust-Preferred-Wertpapiere durch den BayernLB Capital Trust I.

„**Aufsichtsrechtliches Ereignis**“ bedeutet, dass (i) der Bank nach dem 7. März 2007 von einer zuständigen Aufsichtsbehörde mitgeteilt wird, dass es der Bank aufgrund einer Neufassung oder Änderung (einschließlich einer Änderung, die verabschiedet wurde, aber noch nicht in Kraft getreten ist) der anwendbaren Gesetze in Bezug auf das Kreditwesen in der Bundesrepublik Deutschland (oder der Vorschriften, Verordnungen, Auslegungen oder der Verwaltungspraxis im Rahmen von diesen, einschließlich von Entscheidungen der maßgeblichen Bankaufsichtsbehörden) oder der Richtlinien des Baseler Ausschusses für Bankenaufsicht nicht gestattet ist oder sein wird, die Class-B-Preferred-Wertpapiere oder die Trust-Preferred-Wertpapiere für Zwecke der Kapitaladäquanz als Kernkapital auf konsolidierter Basis zu behandeln, oder (ii) die BaFin der Bank mitteilt oder auf sonstige Weise bekannt macht, dass weder die Class-B-Preferred-Wertpapiere noch die Trust-Preferred-Wertpapiere (oder Wertpapiere, die im Wesentlichen identisch mit den Class-B-Preferred-Wertpapieren oder den Trust-Preferred-Wertpapieren sind) für Zwecke der Kapitaladäquanz als Kernkapital auf konsolidierter Basis behandelt werden bzw. weiterhin behandelt werden können.

„**Ausgabepreis**“ bedeutet den Erstausgabepreis von 100% (entspricht US-\$ 1.000 je Trust-Preferred-Wertpapier).

„**Ausschüttungen**“ bedeutet die periodischen Ausschüttungen auf die Trust-Preferred-Wertpapiere und die Class-B-Preferred-Wertpapiere.

„**Ausschüttungsfähiger Gewinn**“ der Bank für ein Geschäftsjahr ist der Bilanzgewinn zum Ende dieses Geschäftsjahres, wie im geprüften Einzelabschluss der Bank zum Ende eines solchen Geschäftsjahres ausgewiesen. Dieser Bilanzgewinn umfasst den Jahresüberschuss oder -fehlbetrag, zuzüglich aller Gewinnvorträge aus früheren Jahren, abzüglich aller Verlustvorträge aus früheren Jahren, zuzüglich von der Bank vorgenommener Auflösungen von Kapital- und Gewinnrücklagen, abzüglich von der Bank vorgenommener Einstellungen in Gewinnrücklagen, jeweils gemäß den Bestimmungen des Gesetzes über die Bayerische Landesbank, der Satzung der Bank und den deutschen allgemein anerkannten Grundsätzen ordnungsmäßiger Buchführung, wie im Handelsgesetzbuch und anderen zum jeweiligen Zeitpunkt geltenden und anwendbaren deutschen Rechtsvorschriften beschrieben. Zur Feststellung, ob ein ausreichender Ausschüttungsfähiger Gewinn der Bank für ein Geschäftsjahr zur Verfügung steht, damit Ausschüttungen auf die Class-B-Preferred-Wertpapiere festgesetzt werden dürfen, werden vom Ausschüttungsfähigen Gewinn des betreffenden Geschäftsjahres etwaige Ausschüttungen, die bereits auf die Class-B-Preferred-Wertpapiere gezahlt worden sind, und etwaige Ausschüttungen, Dividenden oder sonstige Auszahlungen, die auf der Basis eines solchen Ausschüttungsfähigen Gewinns bereits auf Gleichrangige Wertpapiere gezahlt worden sind, abgezogen.

„**BaFin**“ bedeutet die Bundesanstalt für Finanzdienstleistungsaufsicht.

„**Bank**“ bedeutet die Bayerische Landesbank, München, eine nach dem Recht der Bundesrepublik Deutschland errichtete rechtsfähige Anstalt des öffentlichen Rechts.

„**BayernLB-Konzern**“ bedeutet die Bank und ihre konsolidierten Tochtergesellschaften.

„**BayernLB-Konzerngesellschaft**“ bedeutet die Bank oder eine Qualifizierte Tochtergesellschaft.

„**Berechnungsstelle**“ bedeutet die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland.

„**Betriebsgewinn**“ der Gesellschaft bedeutet für jeden Zahlungszeitraum denjenigen Betrag, um den die auf die Schuldverschreibungen oder, nach dem Endfälligkeitstag, auf die Zulässigen Anlagen, die die Gesellschaft dann gemäß dem LLC-Vertrag in dem betreffenden Zahlungszeitraum gegebenenfalls hält, zu zahlenden Beträge (ob bereits gezahlt oder nicht) alle betrieblichen Aufwendungen der Gesellschaft in dem betreffenden Zahlungszeitraum, die nicht von der Bank oder einer ihrer Zweigniederlassungen oder mit ihr verbundenen Unternehmen gezahlt oder erstattet wurden, übersteigen, zuzüglich von Rücklagen.

„**Board of Directors**“ bedeutet das Geschäftsführungsorgan der Gesellschaft.

„**Bylaws**“ bedeutet die Statuten der Gesellschaft.

„**Class-A-Preferred-Wertpapier**“ bedeutet das Preferred-Wertpapier ohne nachzahlbare Ausschüttungsberechtigung der Gattung A der Gesellschaft, das einen *limited liability company*-Anteil an der Gesellschaft verbrieft.

„**Class-B-Preferred-Wertpapiere**“ bedeutet die Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung der Gattung B der Gesellschaft, die einen *limited liability company*-Anteil an der Gesellschaft verbrieft.

„**Clearstream**“ bedeutet die Clearstream Banking, *société anonyme*, Luxemburg.

„**Dauerglobalurkunden**“ bedeutet die Dauerglobalurkunden, die die Trust-Preferred-Wertpapiere verbrieft.

„**Delaware Trustee**“ bedeutet die Deutsche Bank Trust Company Delaware.

„**Dollar**“, „**US-Dollar**“ und „**US-\$**“ bedeutet die gesetzliche Währung der Vereinigten Staaten von Amerika.

„**Durchsetzungs-Ereignis**“ bedeutet gemäß dem Trust-Vertrag in Bezug auf Trust-Wertpapiere den Eintritt eines der folgenden Ereignisse zu irgendeinem Zeitpunkt: (i) die Nichtzahlung bei Fälligkeit von Ausschüttungen (zuzüglich etwaiger darauf bezogener zusätzlicher Beträge) auf die Trust-Preferred-Wertpapiere oder die Class-B-Preferred-Wertpapiere zum festgelegten Zinssatz in voller Höhe für zwei aufeinanderfolgende Zahlungszeiträumen oder (ii) die Nichterfüllung von Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung; gemäß dem Trust-Vertrag wird der Inhaber des Trust-Stammanteils jedoch so behandelt, als habe er so lange auf ein Durchsetzungs-Ereignis bezüglich des Trust-Stammanteils verzichtet, bis alle Durchsetzungs-Ereignisse bezüglich der Trust-Preferred-Wertpapiere entweder geheilt sind, auf diese verzichtet wird oder diese aus sonstigem Grunde nicht mehr bestehen.

„**Einziehungsbetrag**“ bedeutet einen Einziehungsbetrag je Class-B-Preferred-Wertpapier, der dem Liquidationsvorzugsbetrag hierfür entspricht, zuzüglich etwaiger aufgelaufener und nicht gezahlter Ausschüttungen für den dann laufenden Zahlungszeitraum bis zum Einziehungstag (ausschließlich).

„**Einziehungsmitteilung**“ bedeutet die Bekanntmachung jeder Einziehung von Class-B-Preferred-Wertpapieren.

„**Einziehungstag**“ bedeutet den Tag der Einziehung der Class-B-Preferred-Wertpapiere.

„**Endfälligkeitstag**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen den 31. Mai 2037.

„**Ersatz-Schuldverschreibungen**“ bedeutet die ausgegebenen Schuldverschreibungen, die die Anfänglichen Schuldverschreibungen ersetzen.

„**Erstinhaber von Trust-Preferred-Wertpapieren**“ bedeutet eine Person, die die Trust-Preferred-Wertpapiere an ihrem ursprünglichen Ausgabebetrag zum ursprünglichen Ausgabepreis erworben hat.

„**Euroclear**“ bedeutet Euroclear Bank S.A./N.V., als Betreiberin des Euroclear Systems.

„**Feste Ausschüttungsrate**“ bedeutet die feste Ausschüttungsrate zu einem Satz von 6,2032% p.a., mit der Ausschüttungen (oder, im Fall der Anfänglichen Schuldverschreibungen, Zinsen) für Zahlungszeiträume (bzw., soweit anwendbar, Zinszahlungszeiträume), die vor dem Reset-Tag enden, auflaufen.

„**Festgelegter Zinssatz**“ bedeutet (i) für Zahlungszeiträume bzw. Zinszahlungszeiträume, die vor dem Reset-Tag enden, die Feste Ausschüttungsrate und (ii) für Zahlungszeiträume bzw. Zinszahlungszeiträume, die am oder nach dem Reset-Tag beginnen, die Variable Ausschüttungsrate.

„**Gemeinsame Verwahrstelle**“ bedeutet Deutsche Bank Aktiengesellschaft, Frankfurt am Main, und ihre Rechtsnachfolger, in ihrer Eigenschaft als Gemeinsame Verwahrstelle für Euroclear und Clearstream.

„**Geschäftstag**“ bedeutet einen Tag außer Samstag oder Sonntag oder einem Tag, an dem die Banken in der City von New York laut Rechts- oder Durchführungsverordnung verpflichtet sind zu schließen.

„**Gesellschaft**“ bedeutet die BayernLB Capital LLC I, eine Gesellschaft mit beschränkter Haftung (*limited liability company*) nach dem Recht des Bundesstaates Delaware, Vereinigte Staaten von Amerika.

„**Gesellschafts-Nachfolge-Wertpapiere**“ bedeutet andere Wertpapiere, durch welche die Class-B-Preferred-Wertpapiere ersetzt wurden und die im Wesentlichen mit den Class-B-Preferred-Wertpapieren identisch sind.

„**Gesellschafts-Preferred-Wertpapiere**“ bedeutet das Class-A-Preferred-Wertpapier und die Class-B-Preferred-Wertpapiere.

„**Gesellschafts-Sonderkündigungsfall**“ bedeutet (i) ein Aufsichtsrechtliches Ereignis, (ii) ein Steuerrechtliches Ereignis, (iii) ein Gross-up-Ereignis oder (iv) ein Investment-Company-Act-Ereignis nur in Bezug auf die Gesellschaft.

„**Gesellschafts-Stammanteil**“ bedeutet den stimmberechtigten Stammanteil der Gesellschaft, der einen Eigentumsanteil an der Gesellschaft verbrieft.

„**Gesellschafts-Wertpapiere**“ bedeutet den Gesellschafts-Stammanteil und die Gesellschafts-Preferred-Wertpapiere.

„**Gleichrangige Wertpapiere**“ bedeutet jede Klasse etwaiger erstrangiger Vorzugsaktien, die in Bezug auf Liquidationsrechte gegenüber dem Grundkapital der Bank vorrangig sind, sowie andere Instrumente der Bank ohne nachzahlbare Ausschüttungsberechtigung, die als Kernkapital qualifizieren, und Gleichrangige Wertpapiere von Tochtergesellschaften.

„**Gleichrangige Wertpapiere von Tochtergesellschaften**“ bedeutet Vorzugsaktien oder sonstige Instrumente ohne nachzahlbare Ausschüttungsberechtigung, die auf konsolidierter Basis als Kernkapital der Bank qualifizieren, oder sonstige Instrumente einer Tochtergesellschaft der Bank, die mit einer Garantie oder einer Patronatserklärung der Bank ausgestattet sind, die mit den Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung gleichrangig sind.

„**Globale Wertpapiere**“ bedeutet eine oder mehrere Globalurkunden, die die Class-B-Preferred-Wertpapiere verbriefen, für deren Ausgabe und Registrierung im Namen der Gemeinsamen Verwahrstelle die Gesellschaft angemessene Anstrengungen unternehmen wird, wenn die Class-B-Preferred-Wertpapiere bei einer unfreiwilligen oder freiwilligen Liquidation, Auflösung, Abwicklung oder Beendigung des Trusts an die Inhaber der Trust-Preferred-Wertpapiere ausgekehrt werden.

„**Globalurkunden**“ bedeutet die Dauerglobalurkunden und die Vorläufigen Globalurkunden.

„**Gross-up-Ereignis**“ bedeutet, dass die Bank ein Gutachten einer national anerkannten und in diesen Angelegenheiten erfahrenen Anwaltskanzlei oder eines anderen Steuerberaters in einer Maßgeblichen Rechtsordnung erhalten hat, laut dem aufgrund (i) einer Neufassung oder Klarstellung oder Änderung (einschließlich einer bekannt gemachten zukünftigen Änderung) der die Besteuerung betreffenden Gesetze oder Abkommen (oder der im Rahmen von diesen bekannt gegebenen Verordnungen) einer Maßgeblichen Rechtsordnung oder einer politischen Untergliederung oder Steuerbehörde in dieser oder von dieser, (ii) einer Staatlichen Maßnahme oder (iii) einer Neufassung, Klarstellung oder Änderung der offiziellen Position in Bezug auf eine solche Staatliche Maßnahme oder deren Auslegung oder einer Auslegung oder Verlautbarung, durch die in Bezug auf eine solche Staatliche Maßnahme eine Position eingenommen wird, die sich von der bis dahin allgemein anerkannten Position unterscheidet, jeweils durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde (unabhängig davon, in welcher Weise die Neufassung, Klarstellung oder Änderung bekannt gemacht wurde), wobei das In-Kraft-Treten dieser Neufassung, Klarstellung oder Änderung bzw. die Bekanntmachung dieser Verlautbarung oder Entscheidung nach dem Tag der Begebung der Gesellschafts-Wertpapiere und der Trust-Wertpapiere erfolgt, ein nicht unerhebliches Risiko besteht, dass der Trust, die Gesellschaft, die Bank oder der maßgebliche Schuldner der Schuldverschreibungen dazu verpflichtet würde, Zusätzliche Beiträge oder Zusätzliche Zinsbeiträge zu zahlen. Die vorstehend aufgeführten Ereignisse stellen jedoch kein Gross-up-Ereignis dar, wenn eine solche Situation durch den Umständen angemessene Maßnahmen der Bank (oder des betroffenen Schuldners der Schuldverschreibungen), des Trust oder der Gesellschaft vermieden werden kann.

„**Hauptzahlstelle**“ bedeutet die Deutsche Bank Aktiengesellschaft, Frankfurt am Main, und ihre Rechtsnachfolger, in ihrer Eigenschaft als Hauptzahlstelle in Bezug auf die Trust-Preferred-Wertpapiere.

„**Investment Company**“ bedeutet eine Investment Company gemäß dem 1940 Act.

„**Investment-Company-Act-Ereignis**“ bedeutet, dass die Bank ein Gutachten einer national anerkannten und in diesen Angelegenheiten erfahrenen Anwaltskanzlei in den Vereinigten Staaten von Amerika angefordert und erhalten hat, laut dem ein nicht unerhebliches Risiko besteht, dass die Gesellschaft oder der Trust aufgrund (i) einer Gerichtsentscheidung, Verlautbarung oder Auslegung (unabhängig davon, in welcher Weise eine solche bekanntgemacht wurde) oder (ii) der Verabschiedung oder Neufassung eines Gesetzes, einer Vorschrift oder Verordnung oder einer Mitteilung oder Bekanntmachung (einschließlich einer Mitteilung oder Bekanntmachung, dass die Verabschiedung eines solchen Gesetzes bzw. einer solchen Vorschrift oder Verordnung beabsichtigt ist) durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde in den Vereinigten Staaten von Amerika, jeweils nach dem Datum der Ausgabe der Gesellschafts-Wertpapiere und der Trust-Wertpapiere, als eine *Investment Company* qualifiziert wird.

„**IRS**“ bedeutet die Bundessteuerbehörde (*Internal Revenue Service*) der Vereinigten Staaten von Amerika.

„**Kaufvertrag**“ bedeutet den zwischen der Bank, der Gesellschaft, dem Trust und den Managern geschlossenen Kaufvertrag, nach dem sich der Trust verpflichtet hat, die Trust-Preferred-Wertpapiere an die Manager zu verkaufen, und die Manager sich verpflichtet haben, die Trust-Preferred-Wertpapiere zu kaufen.

„**Liquidationsvorzugsbetrag**“ bedeutet den Liquidationsvorzugsbetrag von US-\$1.000 je Trust-Preferred-Wertpapier.

„**LLC Act**“ bedeutet den *Delaware Limited Liability Company Act* in seiner jeweils gültigen Fassung.

„**LLC-Vertrag**“ bedeutet das *Amended and Restated Limited Liability Company Agreement* der Gesellschaft.

„**Londoner Geschäftstag**“ bedeutet einen Tag (außer Samstag und Sonntag), an dem Banken und Devisenmärkte in London für den normalen Geschäftsverkehr geöffnet sind.



„**Luxemburger Zahl- und Übertragungsstelle**“ bedeutet die Deutsche Bank Luxembourg S.A., und ihre Rechtsnachfolger, in ihrer Eigenschaft als Zahl- und Übertragungsstelle (*Agent chargé du service financier*) in Luxemburg.

„**Manager**“ bedeutet die auf dem Deckblatt dieses Dokuments als Manager aufgeführten Finanzinstitute.

„**Maßgebliche Rechtsordnung**“ bedeutet die Vereinigten Staaten von Amerika, die Bundesrepublik Deutschland oder eine Rechtsordnung, in der ein Schuldner von Schuldverschreibungen ansässig ist, oder eine Rechtsordnung, von der aus Zahlungen auf die Trust-Preferred-Wertpapiere, die Class-B-Preferred-Wertpapiere oder die Schuldverschreibungen erfolgen.

„**Clearing-Teilnehmer**“ bedeutet einen unmittelbaren oder mittelbaren Kontoinhaber bei einem Teilnehmer von Euroclear oder Clearstream.

„**Möglicher Inhaber von Wertpapieren**“ bedeutet die Bank oder eine Qualifizierte Tochtergesellschaft.

„**Nachfolge-Wertpapiere**“ bedeutet andere Wertpapiere, die im Wesentlichen identisch mit den Trust-Wertpapieren sind.

„**Nachrangige Ausschüttungen**“ bedeutet Ausschüttungen, Dividenden oder sonstige Auszahlungen auf Nachrangige Wertpapiere (mit Ausnahme von Ausschüttungen, Dividenden oder sonstigen Auszahlungen von einer Tochtergesellschaft der Bank ausschließlich an die Bank oder eine hundertprozentige Tochtergesellschaft der Bank).

„**Nachrangige Patronatserklärung**“ bedeutet die zwischen der Bank und der Gesellschaft abzuschließende Patronatserklärung wie in der englischen Sprache in Appendix A beschrieben.

„**Nachrangige Wertpapiere**“ bedeutet (i) Anteile am Grundkapital der Bank, (ii) jede Klasse von Vorzugsaktien der Bank, die gegenüber etwaigen Gleichrangigen Wertpapieren der Bank nachrangig sind, und jedes andere Instrument der Bank, das gegenüber solchen Vorzugsaktien gleichrangig oder nachrangig ist, und (iii) Vorzugsaktien oder jedes andere Instrument einer Tochtergesellschaft der Bank, das mit einer Garantie oder einer Patronatserklärung der Bank ausgestattet ist, die gegenüber den Verpflichtungen der Bank aus der Nachrangigen Patronatserklärung nachrangig ist.

„**Nennbetrag**“ bedeutet US-\$ 850.027.000 (entspricht den Bruttoerlösen aus der Ausgabe der Class-B-Preferred-Wertpapiere zuzüglich bestimmter Beträge, die die Bank auf das Class-A-Preferred-Wertpapier und den Gesellschafts-Stammanteil einbringt).

„**Nicht-US-Bürger**“ bedeutet Personen, die Trust-Preferred-Wertpapiere im Einklang mit Regulation S erwerben.

„**Primary Treasury Dealer**“ bedeutet einen Primary Dealer für Wertpapiere der US-Regierung in New York City.

„**Property-Konto**“ bedeutet ein gesondert geführtes, zinsfreies Treuhänderkonto, das im Namen und unter der ausschließlichen Kontrolle des Property Trustee steht.

„**Property Trustee**“ bedeutet die Deutsche Bank Trust Company Americas oder eine Rechtsnachfolgergesellschaft in ihrer Eigenschaft als *property trustee* des Trust.

„**Qualifizierte Tochtergesellschaft**“ bedeutet eine Tochtergesellschaft, die für Zwecke des deutschen Bankaufsichtsrechts mit der Bank konsolidiert wird und bei der sich zum betreffenden Zeitpunkt über 50% der ausgegebenen stimmberechtigten Aktien oder sonstigen Beteiligungsrechte, die bei der Wahl des Vorstands oder eines sonstigen Geschäftsführungsorgans (wie auch immer bezeichnet) gewöhnlich stimmberechtigt sind, und über 50% des ausgegebenen Grundkapitals oder der sonstigen Beteiligungsrechte im wirtschaftlichen Eigentum der Bank befinden oder von dieser unmittelbar oder mittelbar kontrolliert werden und der Definition einer „von ihrer Muttergesellschaft kontrollier-

ten Gesellschaft“ („*a company controlled by its parent company*“) gemäß Rule 3a-5 unter dem 1940 Act entspricht.

„**Quellensteuern**“ bedeutet gegenwärtige oder zukünftige Steuern, Abgaben oder staatliche Gebühren gleich welcher Art, die von oder im Namen einer Maßgeblichen Rechtsordnung oder einer zur Steuererhebung durch Einbehalt oder Abzug befugten politischen Untergliederung oder Körperschaft in oder von dieser Maßgeblichen Rechtsordnung auferlegt, erhoben, abgezogen, einbehalten oder eingezogen werden.

„**Quotierungsstelle**“ bedeutet die Deutsche Bank Securities Inc. und ihre Rechtsnachfolger; für den Fall, dass die Vorgenannte jedoch kein Primary Treasury Dealer mehr ist, bedeutet Quotierungsstelle ein neuer von der Bank ernannter Primary Treasury Dealer.

„**Regular Trustee**“ bedeutet drei der Trustees, die Angestellte oder Organmitglieder der Deutsche Bank Trust Company Delaware sind, welche durch die Bank mit der Erbringung derartiger Dienstleistungen beauftragt worden ist.

„**Regulation S**“ bedeutet die *Regulation S* des Securities Act.

„**Reset-Tag**“ bedeutet den 31. Mai 2017.

„**Restlaufzeit**“ bedeutet den Zeitraum vom Einziehungstag bis zum Anfänglichen Einziehungstag (einschließlich).

„**Schuldverschreibungen**“ bedeutet die Anfänglichen Schuldverschreibungen und die Ersatz-Schuldverschreibungen.

„**Schuldverschreibungs-Einziehungstag**“ bedeutet den für die Anfänglichen Schuldverschreibungen vorgesehenen Einziehungstag.

„**Schuldverschreibungs-Restlaufzeit**“ bedeutet den Zeitraum vom Schuldverschreibungs-Einziehungstag bis zum Anfänglichen Schuldverschreibungs-Einziehungstag.

„**Securities Act**“ bedeutet den *United States Securities Act* von 1933 in seiner jeweils gültigen Fassung.

„**Sperrfrist**“ bedeutet den Zeitraum nach dem Ablauf von 40 Tagen nach dem Valutatag oder, falls später, dem Abschluss des Angebots der Trust-Preferred-Wertpapiere.

„**Staatliche Maßnahme**“ bedeutet eine Gerichtsentscheidung, amtliche Verwaltungsverlautbarung, veröffentlichte Entscheidung, verbindliche Auskunft (*private ruling*), ein aufsichtsrechtliches Verfahren und eine Mitteilung oder Bekanntmachung (einschließlich einer Mitteilung oder Bekanntmachung, die die Einführung solcher Verfahren oder Regelungen beabsichtigt) durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde.

„**Steuerrechtliches Ereignis**“ bedeutet, dass die Bank ein Gutachten einer national anerkannten und in diesen Angelegenheiten erfahrenen Anwaltskanzlei oder eines anderen Steuerberaters in einer Maßgeblichen Rechtsordnung erhalten hat, laut dem aufgrund (i) einer Neufassung oder Klarstellung oder Änderung (einschließlich einer bekannt gemachten zukünftigen Änderung) der die Besteuerung betreffenden Gesetze oder Abkommen (oder der im Rahmen von diesen bekannt gegebenen Verordnungen) einer Maßgeblichen Rechtsordnung oder einer politischen Untergliederung oder Steuerbehörde in dieser oder von dieser, (ii) einer Staatlichen Maßnahme oder (iii) einer Neufassung, Klarstellung oder Änderung der offiziellen Position in bezug auf eine solche Staatliche Maßnahme oder deren Auslegung oder einer Auslegung oder Verlautbarung, durch die in bezug auf eine solche Staatliche Maßnahme eine Position eingenommen wird, die sich von der bis dahin allgemein anerkannten Position unterscheidet, jeweils durch eine gesetzgebende Körperschaft, ein Gericht, eine staatliche Stelle oder Aufsichtsbehörde (unabhängig davon, in welcher Weise die Neufassung, Klarstellung oder Änderung bekannt gemacht wurde), wobei diese Neufassung, Klarstellung oder Änderung bzw. die Bekanntmachung dieser Verlautbarung oder Entscheidung nach dem Tag der Begebung

der Gesellschafts-Wertpapiere und der Trust-Wertpapiere in Kraft tritt, ein nicht unerhebliches Risiko besteht, dass (a) der Trust oder die Gesellschaft der Zahlung eines nicht nur geringfügigen Betrags von Steuern, Abgaben oder anderen staatlichen Gebühren unterliegt bzw. unterliegen wird, oder (b) die Bank oder ein anderer Schuldner der Schuldverschreibungen (x) bei der Festlegung des zu versteuernden Einkommens zum Zwecke der Festlegung der jährlichen Körperschaftsteuer in der Bundesrepublik Deutschland die Zinszahlungen nicht vollständig von den Schuldverschreibungen abziehen kann (mit Ausnahme solcher Zinszahlungen, die dem Einkommen einer Niederlassung zugerechnet werden, die nicht dem deutschen Steuerrecht unterliegt), oder (y) die Zinszahlungen, außer in Fällen, in denen die Ausschüttungen von der Gesellschaft nicht festgesetzt werden dürfen, entsprechend den Bestimmungen des deutschen Außensteuergesetzes der Besteuerung unterliegen oder dem Einkommen der Gesellschaft hinzugerechnet werden. Die vorstehend aufgeführten Ereignisse stellen jedoch kein steuerrechtliches Ereignis dar, wenn eine solche Situation durch den Umständen angemessene Maßnahmen der Bank (oder des betroffenen Schuldners der Schuldverschreibungen), des Trusts oder der Gesellschaft vermieden werden kann.

„**Steuergesetz**“ bedeutet den *Internal Revenue Code* der Vereinigten Staaten von Amerika von 1986 in seiner jeweils gültigen Fassung.

„**Tochtergesellschaft**“ bedeutet jede Gesellschaft, die direkt oder indirekt von der Bank kontrolliert wird und ein eingezahltes Mindestkapital von mehr als € 100.000 hat.

„**Treasury Rate**“ bedeutet (i) die Rendite, wie unter der Rubrik ausgewiesen, die den Mittelwert der unmittelbar vorausgehenden Woche darstellt und in den aktuellsten von der U.S. Federal Reserve wöchentlich veröffentlichten statistischen Berichten der Bezeichnung „H.15(519)“ oder einer Nachfolgeveröffentlichung veröffentlicht wird und die Renditen auf aktiv gehandelte US-Staatsanleihen, angepasst um konstante Fälligkeit unter der Überschrift „Treasury Constant Maturities“ bestimmt, für die der (Schuldverschreibungs-)Restlaufzeit entsprechenden Fälligkeit (fällt die Fälligkeit nicht innerhalb eines Zeitraums von drei Monaten vor oder nach der (Schuldverschreibungs-)Restlaufzeit, werden die Renditen für zwei veröffentlichte Fälligkeiten, die der (Schuldverschreibungs-)Restlaufzeit am ehesten entsprechen, festgelegt und die Treasury Rate wird von diesen Renditen linear interpoliert bzw. extrapoliert, gerundet jeweils zum nächsten Monat) oder (ii) wenn diese Veröffentlichung (oder eine Nachfolgeveröffentlichung) nicht während der Woche vor dem Berechnungsdatum herausgegeben wird oder keine solchen Renditen enthält, der Jahressatz, der der Halbjahresrendite zur Fälligkeit der Vergleichbaren Staatsanleihe entspricht, wobei dieser Satz auf der Grundlage eines Kurses für die Vergleichbare Staatsanleihe (ausgedrückt in Prozent ihres Nennbetrags) berechnet wird, der dem Kurs der Vergleichbaren Staatsanleihe für den (Schuldverschreibungs-)Einzahlungstag entspricht. Die Treasury Rate wird am dritten Geschäftstag vor dem (Schuldverschreibungs-)Einzahlungstag berechnet. In vorstehenden Fällen (i) und (ii) wird die Treasury Rate gemäß der allgemein üblichen Marktpraxis angepasst, um (x) Unterschiede in der üblichen Tagesberechnung zwischen den Class-B-Preferred-Wertpapieren und US-Staatsanleihen und (y) Unterschiede zwischen den halbjährlichen Zahlungen auf die US-Staatsanleihen und den jährlichen Zahlungen auf die Class-B-Preferred-Wertpapiere für Zahlungszeiträume bzw. Zinszahlungszeiträume, die vor dem Reset-Tag enden, zu berücksichtigen. Zu diesem Zweck gilt:

„**Vergleichbare Staatsanleihe**“ bedeutet die von der Quotierungsstelle ausgewählte US-Staatsanleihe mit einer der (Schuldverschreibungs-)Restlaufzeit vergleichbaren Fälligkeit, die zum Zeitpunkt ihrer Auswahl gemäß allgemein üblicher Marktpraxis verwendet würde, um einen Preis für die Ausgabe neuer Industrieanleihen mit der (Schuldverschreibungs-)Restlaufzeit vergleichbarer Fälligkeit zu bestimmen. Hat keine US-Staatsanleihe eine Fälligkeit, die innerhalb eines Zeitraums von drei Monaten vor bzw. nach dem Anfänglichen (Schuldverschreibungs-)Einzahlungstag liegt, werden die beiden US-Staatsanleihen als Vergleichbare Staatsanleihe verwendet, die dieser Bedingung am nächsten kommen, und die Treasury Rate wird linear interpoliert bzw. extrapoliert und unter Verwendung solcher Wertpapiere jeweils zum nächsten Monat gerundet.

„**Kurs der Vergleichbaren Staatsanleihe**“ bedeutet in Bezug auf den relevanten (Schuldverschreibungs-)Einzahlungstag (A) den Durchschnitt aus fünf Referenzkursen von Treasury Dealers zum (Schuldverschreibungs-)Einzahlungstag, nach Ausschluss der höchsten und der niedrigsten solcher Quotierungen von Referenz-Treasury Dealers oder (B), wenn die Quotierungsstelle weniger als fünf solcher Kurse erhält, den Durchschnittswert aus allen erhaltenen Kursen.

„**Referenz-Treasury Dealer**“ bedeutet (i) die Quotierungsstelle und (ii) jeden anderen Primary Treasury Dealer, den die Quotierungsstelle auswählt.

„**Quotierungen von Referenz-Treasury Dealers**“ bedeutet in Bezug auf jeden Referenz-Treasury Dealer und den (Schuldverschreibungs-)Einziehungstag den von der Quotierungsstelle festgelegten Durchschnittswert aus den Geld- und Briefkursen für die Vergleichbaren Staatsanleihen (jeweils ausgedrückt in Prozent des Nennbetrags), die der Quotierungsstelle schriftlich vom Referenz-Treasury Dealer am dritten Geschäftstag vor dem (Schuldverschreibungs-)Einziehungstag um 17:00 Uhr New Yorker Zeit unterbreitet werden.

„**Trust**“ bedeutet den BayernLB Capital Trust I, einen nach dem Recht des Bundesstaates Delaware, Vereinigte Staaten von Amerika, errichteten *Statutory Trust*.

„**Trust Act**“ bedeutet den *Delaware Statutory Trust Act* in seiner jeweils geänderten Fassung.

„**Trustees**“ bedeutet die gemäß dem Trust-Vertrag bestellten Treuhänder (*Trustees*) des Trusts.

„**Trust-Preferred-Wertpapiere**“ bedeutet die im Rahmen dieses Angebots angebotenen auf den Namen lautenden US-\$ 850.000.000 Trust-Preferred-Wertpapiere ohne nachzahlbare Ausschüttungsberechtigung.

„**Trust-Sonderkündigungsfall**“ bedeutet (i) ein ausschließlich auf den Trust, aber nicht auf die Gesellschaft bezogenes Steuerrechtliches Ereignis oder (ii) ein ausschließlich auf den Trust, aber nicht auf die Gesellschaft bezogenes Gross-Up-Ereignis, oder (iii) ein ausschließlich auf den Trust, aber nicht auf die Gesellschaft bezogenes Investment-Company-Act-Ereignis.

„**Trust-Stammanteil**“ bedeutet einen Stammanteil des Trusts.

„**Trust-Vertrag**“ bedeutet die unter anderem zwischen den Trustees und der Gesellschaft als Sponsor abgeschlossene *trust agreement*, in ihrer jeweiligen geänderten und neugefassten Fassung.

„**Trust-Wertpapiere**“ bedeutet den Trust-Stammanteil und die Trust-Preferred-Wertpapiere.

„**Unabhängiger Enforcement Director**“ bedeutet das unter bestimmten Umständen von den Inhabern der Class-B-Preferred-Wertpapiere ernannte unabhängige Mitglied des Board of Directors.

„**US-Bürger**“ hat die in der *Regulation S* definierte Bedeutung, sofern nichts Anderes angegeben ist.

„**Valutatag**“ ist der 9. März 2007, der Tag der Begebung der Trust-Preferred-Wertpapiere.

„**Variable Ausschüttungsrate**“ bedeutet in Bezug auf das Auflaufen von Ausschüttungen (oder im Falle von Anfänglichen Schuldverschreibungen das Auflaufen der Zinsen) für einen bestimmten Zahlungszeitraum (bzw. Zinszahlungszeitraum), der an oder nach dem Reset-Tag beginnt, einen 3-Monats-LIBOR (gemäß Definition in diesem Prospekt) für diesen Zahlungszeitraum, zuzüglich einer Marge von 1,98% p. a.

„**Verwalter**“ bedeutet Deutsche International Corporate Services (Delaware) LLC.

„**Verwaltungsvertrag**“ bedeutet den zwischen dem Trust, der Gesellschaft und dem Verwalter abgeschlossenen Verwaltungsvertrag.

„**Vorläufige Globalurkunden**“ bedeutet die vorläufigen Globalurkunden, die die Trust-Preferred-Wertpapiere verbriefen.

„**Vorzeitiger Einziehungsbetrag**“ bedeutet (A) den Einziehungsbetrag je Class-B-Preferred-Wertpapier oder (B) den Kompensationsbetrag, je nachdem, welcher Wert größer ist.

„**Zahlungstag**“ bedeutet jeden Zahlungstag für die Feste Ausschüttungsrate und jeden Zahlungstag für die Variable Ausschüttungsrate.

„**Zahlungstag für Feste Ausschüttungsraten**“ bedeutet den 31. Mai eines jeden Jahres, ab dem 31. Mai 2007 (einschließlich) bis zum 31. Mai 2017 (einschließlich).

„**Zahlungstag für Variable Ausschüttungsraten**“ bedeutet jeden 28. Februar (in einem Schaltjahr aber der 29. Februar), 31. Mai, 31. August und 30. November nach dem 31. Mai 2017.

„**Zahlungszeitraum**“ bedeutet den Zeitraum von einem Zahlungstag (bzw. dem Valutatag im Fall des ersten Zahlungszeitraums) (einschließlich) bis zum nächsten darauf folgenden Zahlungstag (ausschließlich).

„**Zinszahlungstag**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen jeden Zahlungstag für die Feste Ausschüttungsrate und jeden Zahlungstag für die Variable Ausschüttungsrate.

„**Zinszahlungszeitraum**“ bedeutet in Bezug auf die Anfänglichen Schuldverschreibungen den Zeitraum von einem Zinszahlungstag (bzw. vom Valutatag im Fall des ersten Zinszahlungszeitraums) (einschließlich) bis zum nächsten darauf folgenden Zinszahlungstag (ausschließlich).

„**Zulässige Anlagen**“ bedeutet Anlagen durch die Gesellschaft in Schuldverschreibungen der Bank oder einer oder mehrerer Qualifizierter Tochtergesellschaften, die unwiderruflich durch die Bank auf einer nachrangigen Basis garantiert sind, oder in US-Staatsanleihen; in keinem Fall darf eine solche Anlage jedoch zu einem Gesellschafts-Sonderkündigungsfall führen.

„**Zusätzliche Beträge**“ bedeutet alle zusätzlichen Beträge, die, soweit notwendig, von der Gesellschaft oder dem Trust gemäß den Bedingungen der Class-B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere nach einem Abzug oder Einbehalt wegen oder aufgrund von Quellensteuern bei Zahlungen auf die jeweiligen Wertpapiere und bei Zahlungen im Rahmen einer Liquidation oder Einziehung dieser Wertpapiere gezahlt werden, damit die Inhaber der Class-B-Preferred-Wertpapiere und der Trust-Preferred-Wertpapiere den Betrag erhalten, den sie ohne einen solchen Abzug oder Einbehalt erhalten hätten.

„**Zusätzliche Zinsbeträge**“ bedeutet alle zusätzlichen Zinsbeträge, die, soweit notwendig, von der Bank oder einem sonstigen Schuldner gemäß den Bedingungen der Schuldverschreibungen nach einem Abzug oder Einbehalt bei Zinszahlungen auf die Schuldverschreibungen oder bei Rückzahlung dieser Schuldverschreibungen gezahlt werden, damit die Gesellschaft den Betrag erhält, den sie ohne einen solchen Abzug oder Einbehalt erhalten hätte.

## **Names and Addresses**

### **Issuer**

BayernLB Capital Trust I  
c/o Deutsche Bank Trust Company Delaware  
1011 Centre Road, Suite 200  
Wilmington, Delaware 19805  
United States of America

### **Joint Lead Managers and Joint Bookrunners**

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
EC2N 2DB London  
United Kingdom

Merrill Lynch International  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### **Joint Lead Manager**

Bayerische Landesbank  
Brienner Strasse 18  
D-80333 Munich  
Germany

### **Co-Managers**

ABN AMRO Bank N.V.  
London Branch  
250 Bishopsgate  
EC2M 4AA London  
United Kingdom

Citigroup Global Markets Limited  
17th Floor, Citigroup Centre  
Canada Square, Canary Wharf  
E 14 5LB London  
United Kingdom

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
EC4A 2BB London  
United Kingdom

J.P. Morgan Securities Ltd.  
125 London Wall  
8th Floor  
EC2Y 5AJ London  
United Kingdom

Lehman Brothers International (Europe)  
25 Bank Street  
London E14 5LE  
United Kingdom

UBS LIMITED  
100 Liverpool Street  
EC2M 2RH London  
United Kingdom

### **Principal Paying Agent**

**Deutsche Bank Aktiengesellschaft**  
Grosse Gallusstrasse 10 – 14  
60272 Frankfurt am Main  
Germany

### **Listing and Paying Agent in Luxembourg**

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