

Fixed Rate Capital Securities
issued by
Isar Capital Funding I Limited Partnership
(a limited partnership established under the laws of Jersey on 4 September 2008)
for purposes of acquiring a silent capital interest in the commercial enterprise (*Handelsgewerbe*) of
Münchener Hypothekbank eG
(a registered cooperative (eingetragene Genossenschaft) established under the laws of Germany)

Issue Price 100 per cent.

This Prospectus relates to the issue of Fixed Rate Capital Securities in the denomination of EUR 1,000 each (the "**Capital Securities**"), to be issued by Isar Capital Funding I Limited Partnership (the "**Issuer**"), a limited partnership established under the laws of Jersey on 4 September 2008. The issue price of the Capital Securities is 100 per cent. of their nominal amount.

The Capital Securities will bear interest on their nominal amount from (and including) the issue date of the Capital Securities (expected to be on or around 26 November 2009, hereinafter the "**Issue Date**") at a fixed rate of interest per annum (expected to be determined by the Issuer on or around 19 November 2009) payable annually in arrear on 30 June of each year. The first payment of interest to be made on 30 June 2010 will be in respect of the period from (and including) the Issue Date to (but excluding) 30 June 2010. Payments of interest (each a "**Coupon Payment**") are contingent on the Issuer's actual receipt of funds pursuant to the Participation Agreement and the Loan Agreement (each as defined herein) as described in the section entitled "Terms and Conditions of the Capital Securities". The Capital Securities do not have a maturity date. The Capital Securities are redeemable in whole, but not in part, at the option of the Issuer on 30 June 2015 or on 30 June of any year thereafter as described in the section entitled "Terms and Conditions of the Capital Securities".

With the proceeds of the issue, the Issuer will acquire a silent capital interest (the "**Participation**") in the commercial enterprise (*Handelsgewerbe*) of Münchener Hypothekbank eG, Munich ("**MünchenerHyp**" or the "**Bank**") in the form of a silent partnership (*Stille Gesellschaft*) under German law pursuant to an agreement providing for a cash contribution by the Issuer to MünchenerHyp in an amount in EUR equal to the aggregate nominal amount of the Capital Securities (the "**Silent Contribution**") and to be dated on or about 24 November 2009 (the "**Participation Agreement**"). The Issuer expects to fund Coupon Payments on the Capital Securities with distributions received under the Participation Agreement and funds received from MünchenerHyp under the Loan Agreement (as defined below).

The final aggregate nominal amount, the number of Capital Securities and the rate of interest of the Capital Securities as well as the nominal contribution amount of the Silent Contribution and the rate of interest at which distributions thereon may accrue are expected to be determined on or around 19 November 2009 on the basis of a bookbuilding procedure carried out during the bookbuilding period beginning on or around 9 November 2009 and ending on or around 18 November 2009. The Issuer reserves the right to extend or shorten the offer period in accordance with applicable law. The Issuer also retains the right not to proceed with the issue of the Capital Securities. The results of the bookbuilding procedure will be published by the Issuer in accordance with Article 8(1) in connection with Article 14(2) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") and Article 16 of the Luxembourg Law of 10 July 2005 on prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) (the "**Prospectus Law**") on or around 20 November 2009 on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Investing in the Capital Securities involves certain risks. Please review the section entitled "Risk Factors" beginning on page 54 of this Prospectus.

The Issuer expects that, upon issuance, the Capital Securities will be assigned a rating of A2 by Moody's Investors Service, Inc. ("**Moody's**"). However, Moody's has released a request for Comment entitled "Moody's Proposed Changes to Bank Subordinated Capital Ratings" in June 2009 requesting market feedback on potential changes to its bank rating methodology. Should Moody's implement this revised methodology as proposed, the ratings on hybrid securities such as the Capital Securities could potentially be negatively affected by multi-notch downgrades to low investment grade. A rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.

This prospectus (the "**Prospectus**") has been approved by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Prospectus Law. The Issuer has requested the CSSF to provide the competent authorities in the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, the Republic of Ireland, The Netherlands, the Kingdom of Spain, Republic of Portugal and the Republic of Austria with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Law, which implements the Prospectus Directive into Luxembourg law (the "**Notification**"). The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area (each a "**Member State**") with a Notification.

Application has been made to the Luxembourg Stock Exchange (*Bourse de Luxembourg*) for the Capital Securities to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) which is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (the "**MIFID Directive**") amending Council Directives 85/611/ECC and 93/6/EEC and Directive 2000/12 EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, and to be listed on the Official List of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). It is further intended that application will be made to the Munich Stock Exchange for the Capital Securities to be listed on the Munich Stock Exchange and to be traded on the Regulated Market of the Munich Stock Exchange.

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.

Joint Lead Managers and Joint Bookrunners

BNP PARIBAS

DZ BANK AG

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

RESPONSIBILITY FOR THE PROSPECTUS

The Bank accepts responsibility for the information contained in this Prospectus (the “**Prospectus**”) and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import. The Issuer accepts responsibility for the information in this Prospectus about itself and the description of the Transaction (as defined in the section “Summary”) and, to the best of its knowledge, the information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer does not accept responsibility for any other information contained in this Prospectus. Neither BNP Paribas nor DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main (jointly the “**Managers**”) nor BNP Paribas Trust Corporation UK Limited (the “**Security Trustee**”) have independently verified the information herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Managers and the Security Trustee as to the accuracy or completeness of the information contained or incorporated by reference in the Prospectus. None of the Managers nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus.

NOTICE

This Prospectus should be read and understood in conjunction with any supplement hereto and with any documents incorporated herein by reference.

No person is authorised 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 authorised by the Bank, the Issuer or by the Managers. 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 and the Issuer.

This Prospectus has been prepared on the basis that any offer of the Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) other than offers (the “**Permitted Public Offers**”) which are made prior to the Issue Date and which are contemplated in this Prospectus in Luxembourg, Germany, the United Kingdom, Ireland, The Netherlands, Portugal, Spain, and Austria once this Prospectus has been approved by the CSSF and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Luxembourg, Germany, the United Kingdom, Ireland, The Netherlands, Portugal, Spain, and Austria, will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Securities which are the subject of the offering contemplated in this Prospectus, other than the Permitted Public Offers, may only do so in circumstances in which no obligation arises for the Issuer or any of the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Bank or the Managers have authorised, nor do they authorise, the making of any offer (other than Permitted Public Offers) of the Securities in circumstances in which an obligation arises for the Issuer or the Managers to publish or supplement a prospectus for such offer.

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Bank, the Issuer or the Managers or any affiliate of any of them to subscribe for or purchase, any Capital Securities in any jurisdiction by any person to whom it is unlawful to make such an offer, invitation or solicitation in such jurisdiction. Applicable law in certain jurisdictions may restrict the distribution of this Prospectus and the offering or sale of the Capital Securities. The Bank, the Issuer and the Managers require all recipients of this Prospectus to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Capital Securities and distribution of this Prospectus, see “Selling Restrictions” below.

Neither the U.S. Securities and Exchange Commission nor any other regulatory body in the United States has approved or disapproved of these securities or determined whether this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) 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 companies, 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 Capital Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Capital 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.

References to “**EUR**”, “**Euro**” and “**€**” are to the euro, the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the treaty establishing the European Community, as amended by the treaty on European

Union. The terms “**United States**” and “**U.S.**” mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

In this Prospectus, all references to “billions” are references to one thousand million. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

The Jersey Financial Services Commission (the “**Commission**”) has given and has not withdrawn its consent under Article 10 of the Control of Borrowing (Jersey) Order 1958 to the creation by the Issuer of the limited partnership interests in the Issuer. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.

Nothing in this Prospectus or anything communicated to Security Holders (or any potential holders of or investors in the Capital Securities) is intended to constitute, or should be construed as, advice on the merits of the purchase of, or subscription for, the Capital Securities or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

It should be noted that the Capital Securities do not represent partnership interests in the Issuer.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE CAPITAL SECURITIES, BNP PARIBAS, AS THE STABILISING MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) MAY OVER-ALLOT THE CAPITAL SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CAPITAL SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE CAPITAL SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE CAPITAL SECURITIES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CAPITAL SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUMMARY

The following constitutes the summary (the “Summary”) of the essential characteristics and risks associated with the Issuer, the Bank and the Capital Securities to be issued. This Summary should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Capital Securities should be based on consideration of this Prospectus as a whole (including the documents incorporated herein by reference as well as any supplement to this Prospectus). Where a claim relating to the information contained in this Prospectus (including the documents incorporated herein by reference as well as any supplement to this Prospectus) is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus (including the documents incorporated herein by reference as well as any supplement to this Prospectus) before the legal proceedings are initiated. Civil liability attaches to the Issuer and the Bank, who have tabled this Summary (including any translation thereof) and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. The following Summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus.

Introductory Summary of the Transaction

The following paragraphs contain a brief overview of the most significant features of the transaction consisting of the issuance of the Capital Securities by the Issuer and payment of the proceeds therefrom to MünchenerHyp under the Participation Agreement (the “Transaction”).

The Issuer proposes to issue EUR denominated Capital Securities for the purpose of acquiring a silent capital interest (the “**Participation**”) in the commercial enterprise (*Handelsgewerbe*) of Münchener Hypothekenbank eG, Munich (“**MünchenerHyp**” or the “**Bank**”). The final aggregate nominal amount, the number of Capital Securities and the fixed rate of interest of the Capital Securities as well as the Nominal Contribution Amount of the Silent Contribution (in each case as defined below) and the rate of interest at which distributions thereon may accrue are expected to be determined on or around 19 November 2009 on the basis of a bookbuilding procedure carried out during the bookbuilding period beginning on or around 9 November 2009 and ending on or around 18 November 2009. The Issuer reserves the right to extend or shorten the offer period in accordance with applicable law. The Issuer also retains the right not to proceed with the issue of the Capital Securities. The results of the bookbuilding procedure will be published by the Issuer in accordance with Article 8(1) in connection with Article 14(2) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (“**Prospectus Directive**”) and Article 16 of the Luxembourg Law of 10 July 2005 on prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) on or around 20 November 2009 on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The issue price of the Capital Securities in the denomination of EUR 1,000 each (the “**Capital Securities**”), to be issued by Isar Capital Funding I Limited Partnership (the “**Issuer**”), a limited partnership established under the laws of Jersey on 4 September 2008, will be 100 per cent. of their nominal amount.

The Capital Securities will bear interest from (and including) the issue date of the Capital Securities (expected to be on or around 26 November 2009, hereinafter the “**Issue Date**”) at a fixed rate of interest to be determined by the Issuer on or around 19 November 2009, payable annually in arrear on 30 June of each year. The first payment of interest to be made on 30 June 2010 will be in respect of the period from (and including) the Issue Date to (but excluding) 30 June 2010. Payments of interest (each a “**Coupon Payment**”) may be delayed and are contingent on the Issuer's actual receipt of funds pursuant to the Participation Agreement and the Loan Agreement (each as defined below) as described in the section entitled “Terms and Conditions of the Capital Securities”. The Capital Securities do not have a maturity date. The Capital Securities are redeemable in whole, but not in part, at the option of the Issuer on 30 June 2015 or on 30 June of any year thereafter as described in the section entitled “Terms and Conditions of the Capital Securities”.

With the proceeds of the issue of the Capital Securities, the Issuer will acquire the Participation in the commercial enterprise (*Handelsgewerbe*) of MünchenerHyp in the form of a silent partnership (*Stille Gesellschaft*) under German law pursuant to an agreement providing for a cash contribution by the Issuer to MünchenerHyp (the “**Silent Contribution**”) in an amount in EUR determined by the Bank and the Issuer on or around 19 November 2009 (the “**Nominal Contribution Amount**”) and to be dated on or about 24 November 2009 (the “**Participation Agreement**”). The Issuer expects to fund Coupon Payments on the Capital Securities with distributions received under the Participation Agreement and funds received from MünchenerHyp under the Loan Agreement (as defined below).

In return, the Issuer, as silent partner, will – subject to the following provisions – earn annual profit participations (“**Profit Participations**”) calculated on the basis of the Nominal Contribution Amount of its Silent Contribution for each fiscal year of MünchenerHyp and payable annually in arrear (“**Profit Participation Payments**”).

Profit Participations will not accrue if (but only to the extent that) such accrual would create or increase a balance sheet deficit (*Bilanzverlust*) of the Bank as calculated under the Participation Agreement in accordance with the accounting principles generally accepted in Germany (“**German GAAP**”) (“**Balance Sheet Deficit**”). There is a Balance Sheet Deficit if MünchenerHyp's annual unconsolidated balance sheet records no balance sheet profit (*Bilanzgewinn*) as calculated under the Participation Agreement in accordance with German GAAP.

Such balance sheet profit includes the net income or loss for the year (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from the previous year, less any loss carried forward from the previous year, plus transfers from capital reserves and revenue reserves (*Kapital- und Ergebnissrücklagen*), less allocations to revenue reserves (*Ergebnissrücklagen*) and any write-up of profit participation rights in the form of profit participation certificates (*Genussscheine*), all in compliance with, and determined in

accordance with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)) and other applicable German law then in effect. Neither MünchenerHyp nor any of its members is obligated to release any reserves to ensure a balance sheet profit.

If the profits of MünchenerHyp do not suffice for the accrual of full Profit Participations, Profit Participations may accrue in part or no Profit Participations may accrue at all. In addition, the Issuer as silent partner shares in a Balance Sheet Deficit in the proportion which the book value of its Silent Contribution bears in relation to the aggregate book value of all loss-sharing components of MünchenerHyp's regulatory liable capital (*Haftungskapital*). In such case, the book value of the Silent Contribution will be reduced in the amount of its pro-rata share in the relevant Balance Sheet Deficit ("**Reduction**"). After a Reduction, future balance sheet profits will be used to replenish the book value of the Silent Contribution to the Nominal Contribution Amount. Future Profit Participations may only be paid after a full replenishment of the Silent Contribution's book value to the Nominal Contribution Amount.

The Bank may only exercise its right to ordinary termination of the Participation Agreement if the book value of the Silent Contribution is not less than the Nominal Contribution Amount at the time the termination notice is given. However, the book value of the Silent Contribution may incur a Reduction if MünchenerHyp's annual unconsolidated balance sheet for the fiscal year in which such termination notice is given records a Balance Sheet Deficit and thus, the book value of the Silent Contribution may be below the Nominal Contribution Amount at the time the Silent Contribution becomes due for repayment. In such event, the amount which is repaid under the Participation Agreement (the "**Repayment Amount**") is reduced accordingly. **Profit Participation Payments are non-cumulative. Consequently, Profit Participation Payments in subsequent years will not increase to compensate for any shortfall in Profit Participation Payments during a previous year.**

Profit Participation Payments and replenishments of the Silent Contribution after a Reduction are subject to German withholding tax (*Kapitalertragsteuer*) ("**German Withholding Tax**") plus solidarity surcharge (*Solidaritätszuschlag*) to be withheld and transferred by MünchenerHyp to the German tax authorities. To the extent such Profit Participation Payments and to the extent such replenishments are attributable to the limited partner of the Issuer (the "**Issuer Limited Partner**") as taxable profit under German tax laws, such withholdings will be counted as a prepayment towards the German income tax owed by the Issuer Limited Partner. The Issuer Limited Partner expects that it will be entitled to claim refunds from the German tax authorities (the "**Tax Refund Claims**") in amounts by which the prepayments in the form of withholdings made by MünchenerHyp exceed its actual German income tax liability. The Issuer Limited Partner will undertake in a separate contribution agreement with the general partner of the Issuer (the "**Issuer General Partner**") to be dated on or about 24 November 2009 (the "**Contribution Agreement**") to contribute to the Issuer amounts that it receives from the German tax authorities on account of its Tax Refund Claims as and when it receives such amounts (each such payment a "**Contribution Payment**"). As Tax Refund Claims only become due after the tax assessment for each tax year, the Issuer, on or about 24 November 2009, will enter into a loan agreement (the "**Loan Agreement**") with MünchenerHyp (the "**Lender**") to obtain bridge funding. Under the Loan Agreement, the Lender is obliged to make loan advances (each a "**Loan Advance**") to the Issuer. The Loan Advances will be made (i) in the amount of the withholdings made by MünchenerHyp in connection with Profit Participation Payments on account of German Withholding Tax in order to fund in part the Issuer's obligation to pay interest on the Capital Securities and (ii) in the amount of the withholdings made by MünchenerHyp on account of German Withholding Tax in connection with a replenishment of the Silent Contribution after a Reduction in order to fund the Issuer's obligation to pay such amount to MünchenerHyp to further replenish the Silent Contribution. The Issuer expects to repay the Loan Advances with the monies it receives upon payment of the Tax Refund Claims.

Payment of principal and interest under the Capital Securities is conditional upon receipt by the Issuer of (i) Profit Participations and the Repayment Amount from MünchenerHyp under the Participation Agreement and (ii) Loan Advances from the Lender under the Loan Agreement. Hence, payments under the Capital Securities are linked to Profit Participation Payments and payment of the Repayment Amount which, in turn, are dependent on MünchenerHyp's profitability. Therefore, the Issuer's obligation to make Coupon Payments as well as repayments of the Capital Securities and payments of interest accrued on the Capital Securities (the latter two jointly "**Capital Payments**") under the Capital Securities is dependent on the financial condition and results of operations of MünchenerHyp.

If MünchenerHyp incurs a Balance Sheet Deficit (*Bilanzverlust*) in any fiscal year, holders of the Capital Securities (the "Security Holders") will receive no Coupon Payments under the Capital Securities until the Silent Contribution has been fully replenished using subsequent balance sheet profits and may not receive Capital Payments under the Capital Securities.

Claims under the Participation Agreement are subordinated in the Bank's insolvency or liquidation. Accordingly, the Issuer's rights, as silent partner, under the Participation Agreement will rank junior to all unsubordinated and subordinated creditors of MünchenerHyp in the event of the insolvency or liquidation of MünchenerHyp.

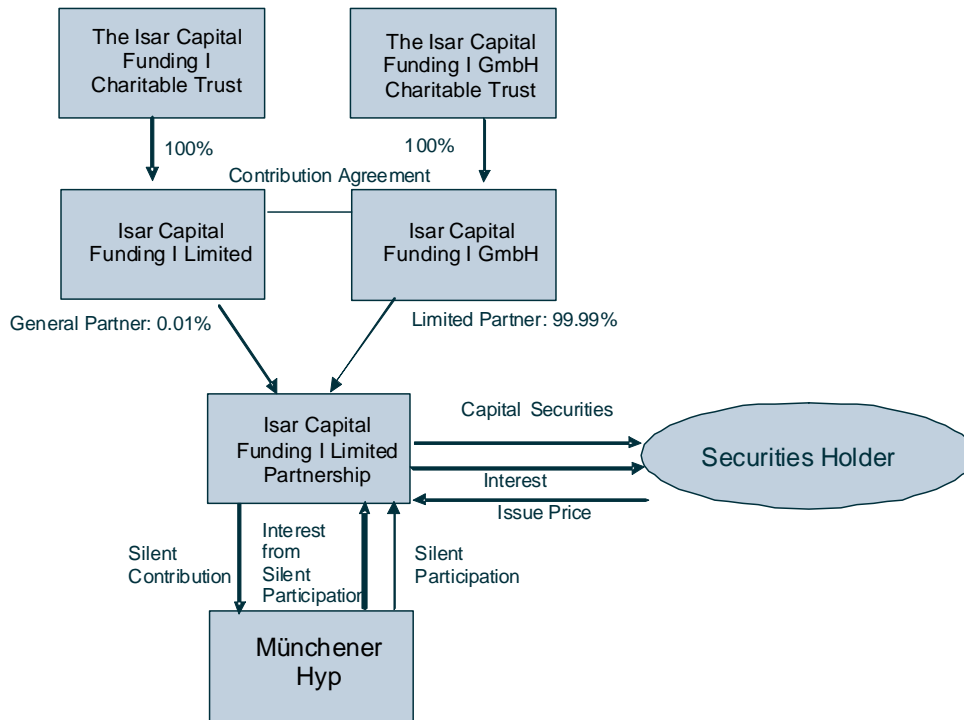
The Capital Securities have an indefinite term and will only be redeemed if the Participation Agreement is terminated and the Silent Contribution is repaid to the Issuer or if the Issuer chooses to exercise its right of early termination. The Participation Agreement runs for an indefinite period. Under its terms, the Participation Agreement may only be terminated by MünchenerHyp and may not be terminated by the Issuer. Subject to certain exceptions described in this Prospectus, an ordinary termination of the Participation Agreement by MünchenerHyp will only become effective on or after 31 December 2014. In addition, the Participation Agreement stipulates that no termination shall become effective without prior regulatory approval.

Therefore, Security Holders should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for an indefinite period of time.

Pursuant to the fiduciary assignment agreement to be dated on or about 24 November 2009 ("**Fiduciary Assignment Agreement**") between the Issuer, MünchenerHyp as Bank, MünchenerHyp as Lender and BNP Paribas Trust Corporation UK Limited acting as a security trustee for the benefit of the Security Holders ("**Security Trustee**"), the Issuer will assign to the Security Trustee, for the benefit of the Security Holders, all present and future payment claims under the Participation Agreement and the Loan Agreement.

MünchenerHyp intends to use the proceeds from the sale of the Participation to strengthen its capital base as well as to support the continuing growth of its business and expects to treat 100 per cent. of the nominal amount of the Participation as solo Tier I regulatory capital (*Kernkapital*). For more information on the regulatory capital requirements applicable to MünchenerHyp, see the section entitled "Regulation".

The structure of the offering looks as follows:



Summary of the Issuer

Legal and Commercial Name, Place of Registration, Registration Number

The Issuer was established on 4 September 2008 and registered under the name "Isar Capital Funding I Limited Partnership" under the Limited Partnerships (Jersey) Law 1994, as amended. It is registered with the Jersey Registrar of Limited Partnerships under no. LP1096. The Issuer was established for an unlimited duration and is not a legal entity separate from its partners and has no operating history. The Issuer has been established as a special purpose vehicle for the purpose of implementing the transaction described in this Prospectus, including the issue of the Capital Securities.

The Issuer has not conducted any business since the date of its establishment and has not incurred any liabilities other than liabilities incidental to its establishment and administration.

Contributed Capital

Pursuant to the limited partnership agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 3 September 2008, the partnership capital of the Issuer amounted to US\$1,000 (one thousand US Dollar). The limited partnership agreement dated 3 September 2008 has been amended by an amendment agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 30 October 2009 pursuant to which the partnership capital of the Issuer amounts to EUR 1,000 (one thousand Euro).

Partners

The Issuer General Partner is Isar Capital Funding I Limited, a limited liability company incorporated under Jersey law whose sole beneficial shareholder is Maurant & Co. Trustees Limited as trustee for The Isar Capital Funding I Charitable Trust, an independent charitable trust domiciled in Jersey. The Issuer Limited Partner is Isar Funding I GmbH, a limited liability company incorporated under German law and domiciled in Munich, Germany. The sole beneficial shareholder of the Issuer Limited Partner is Maurant & Co. Trustees Limited as trustee for The Isar Funding I GmbH Charitable Trust, an independent charitable trust domiciled in Jersey.

Principal Activities

The Issuer is a special purpose vehicle. The business purpose of the Issuer is, pursuant to a limited partnership agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 3 September 2008, to participate as silent partner in the business of the Bank and, for this purpose, to raise capital by the issuance of debt securities and to undertake certain activities related thereto. The Issuer is further entitled to engage in any ancillary businesses which promote the foregoing principal business purpose. The principal activities of the Issuer correspond with the business purpose stipulated in the limited partnership agreement. The Issuer has no employees.

Management

The Issuer acts through the Issuer General Partner who has the sole power to represent the Issuer. The Issuer General Partner may be contacted at the registered office of the Issuer which is 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands, telephone no. +44 1534 609000. The current directors of the Issuer General Partner are:

Name	Function
Helen Grant	Director
Dean Godwin	Director
Chris Ruark	Director

Each of the above members of the Issuer General Partner's management are employees of a subsidiary of Maurant Limited, which wholly owns Maurant & Co. Limited and Maurant & Co. Trustees Limited. The relevant members of the Maurant group, as well as Maurant du Feu & Jeune, are remunerated in respect of the services supplied to the Issuer and the Issuer General Partner and for acting as trustee of The Isar Capital Funding I Charitable Trust and The Isar Funding I GmbH Charitable Trust.

The directors of the Issuer General Partner receive no remuneration from the Issuer General Partner for their services. The directors do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer General Partner. The directorship of the directors is provided by Maurant & Co Limited as part of the overall corporate administration services provided to the Issuer General Partner pursuant to a Corporate Administration Agreement dated 29 October 2009 made between the Issuer General Partner and Maurant & Co Limited.

As Maurant employees, the directors of the Issuer General Partner have directorships of other companies (including companies conducting similar activities to the Issuer General Partner) and may engage in other activities and have other interests which may conflict with the interests of the Issuer. As a matter of Jersey law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

The business address of each of the directors of the Issuer General Partner is 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands.

Fiscal Year

The fiscal year of the Issuer corresponds to the calendar year. The first fiscal year of the Issuer ended on 31 December 2008.

Statutory Auditor

The independent auditor of the Issuer is PricewaterhouseCoopers C.I. LLP having its address at 22 Colomberie, St Helier, Jersey JE1 4XA, Channel Islands. All partners of PricewaterhouseCoopers C.I. LLP are members of the Institute of Chartered Accountancy (England & Wales).

A copy of the audited accounts of the Issuer may be obtained at the Issuer's registered office at 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands.

Historical Financial Information

The annual financial statements of the Issuer for the fiscal year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) and were audited by PricewaterhouseCoopers C.I. LLP and certified with an unqualified audit opinion. The unaudited financial statements of the Issuer for the period ended 30 June 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS).

Legal and Arbitration Proceedings

The Issuer is not and has not been involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have any material adverse effect on the Issuer's financial position or profitability or have had such an effect in the recent past.

Statement of "No material adverse change in the Issuer's financial position"

Unless otherwise disclosed in this Prospectus, there has been no material adverse change in the financial position or the prospects of the Issuer since 31 December 2008 (the date of its last published audited annual financial statements).

Material Contracts

The Issuer has not entered into any material contracts which have a negative material effect on the financial condition of the Issuer.

Capital Contributions on the Issue Date

Under the limited partnership agreement, the Issuer General Partner and the Issuer Limited Partner have agreed to make an initial capital contribution (in relation to each such party, its Capital Contribution) to the Issuer in the following amounts:

	EUR
Issuer General Partner	0.10
Issuer Limited Partner	999.90

Provided that the Issuer Limited Partner does not become involved with the management of the Issuer other than in the circumstances provided in the limited partnership agreement, the liability of the Issuer Limited Partner for the debts or obligations of the Issuer will be limited to its Capital Contribution and any additional capital contribution that it has made or agreed to make to the Issuer.

Capitalisation on the Issue Date

The following table sets forth the Issuer's contributed capital on 30 October 2009 and as adjusted for the consummation of the transaction:

	Contributed Capital
30 October 2009	EUR 1,000
Issue Date.....	EUR 1,000

In addition, as of the Issue Date, the Issuer will have additional liabilities incurred under, and in the aggregate nominal amount of, the Capital Securities.

There has been no material adverse change in respect of the capitalisation of the Issuer since 31 December 2008.

Ordinary Issuer Relocation

The constitutional documents of the Issuer and the Issuer General Partner provide that the Issuer and the Issuer General Partner can relocate their respective principal places of business and tax jurisdiction for German trade tax purposes to Germany (such relocation an "Ordinary Issuer Relocation") upon the occurrence of an Issuer Relocation Event.

An Issuer Relocation Event means receipt by each of the Issuer General Partner and the trustees of the charitable trust that owns the Issuer General Partner on or prior to 30 September in any year of a written request by MünchenerHyp (or any legal successor thereof) to take such action as is necessary to effect an Ordinary Issuer Relocation with effect as of 1 January of the following year. The addressees of such notice will only effect the Ordinary Issuer Relocation upon fulfilment of, inter alia, the following conditions: They have received: (i) a legal opinion by reputable German legal counsel confirming that (a) an Ordinary Issuer Relocation will not adversely affect the legal existence of the rights and claims of the Security Holders as set forth in the terms and conditions of the Capital Securities nor the German law governed rights and claims of the Issuer's other creditors, (b) all regulatory approvals which may be necessary in Germany to effect the Ordinary Issuer Relocation have been obtained, and (ii) satisfactory proof that

MünchenerHyp has undertaken to the Issuer General Partner and the Issuer to indemnify each of them in respect of any German Withholding Tax (*Kapitalertragsteuer*) or any other withholding tax which the Issuer may become obliged to withhold or deduct on payments under the Capital Securities (such as to allow the Issuer to pay such Additional Amounts (as defined in the Terms and Conditions of the Capital Securities) to the holders of the Capital Securities in respect of such withholdings and deductions as provided for in the terms and conditions of the Capital Securities), any property tax, if applicable, and any trade, income or any other tax becoming payable by the Issuer or the Issuer General Partner as a consequence of the Ordinary Issuer Relocation.

Summary of Münchener Hypothekenbank eG

History and Development

Legal and Commercial Name

Münchener Hypothekenbank eG.

Place of Registration

Munich, Federal Republic of Germany.

Registration Number

GnR 396, Register of Cooperatives (*Genossenschaftsregister*) of the local court (*Amtsgericht*) in Munich.

Date of Incorporation

9 December 1896.

Domicile, Address, Telephone Number

Karl-Scharnagl-Ring 10, 80539 Munich, Federal Republic of Germany, (Telephone: +49 (89) 5387-800).

Legal Form, Legislation, Protection Scheme

MünchenerHyp is a registered cooperative (*eingetragene Genossenschaft*) governed by German law and is authorised to conduct business subject to the requirements under the Pfandbrief Act (*Pfandbriefgesetz*) and the Banking Act (*Gesetz über das Kreditwesen*). MünchenerHyp is supervised by the German Central Bank (*Deutsche Bundesbank*) and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

MünchenerHyp is a member of the Protection Scheme of the National Association of German Cooperative Banks (*Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V.*) (the “**Protection Scheme**”). The Protection Scheme is of vital importance for the participating cooperative banks as it is decisive in ensuring the solvency of these banks. The purpose of the Protection Scheme is to avert or remedy imminent or existing financial difficulties of the participating cooperative banks (institution protection / *Institutsschutz*). Based on the statute of the Protection Scheme all deposits and unsubordinated notes held by non-bank customers of the participating cooperative banks are protected without any limitation.

The Capital Securities issued by Isar Capital Funding I Limited Partnership, St. Helier, Jersey, Channel Islands, which relate to the Silent Contribution with MünchenerHyp under the Participation Agreement to be dated on or about 24 November 2009, are not protected by the Protection Scheme.

Description of the Liquidity

In addition to internal management tools, MünchenerHyp's short-term liquidity risk is limited by the relevant German banking regulations. MünchenerHyp is required by the Liquidity Regulation (*Liquiditätsverordnung*) to maintain a liquidity ratio for the maturity band I of 1. MünchenerHyp complied with the requirements of the Liquidity Regulation (*Liquiditätsverordnung*) at all times during the financial year 2008:

31 December 2008: 2.65 (31 December 2007: 1.22).

Business Overview

Principal Activities

According to its Articles of Association, MünchenerHyp's purpose is to support and promote the commercial interests of its members. The object of the Bank is the handling of all permissible transactions in accordance with the terms of the Pfandbrief Act (*Pfandbriefgesetz*) and the Banking Act (*Gesetz über das Kreditwesen*). The business may be extended to non-members. The Bank may establish subsidiary offices and hold stakes in companies.

In order to perform this duty, Mortgage Pfandbriefe (*Hypothekentpfandbriefe*), Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) and unsecured debentures may be issued and loans may be taken out. (“**Pfandbriefe**” when used in this Prospectus means non-equity securities within the meaning of Art. 22 No. 6 (3) of the Commission Regulation (EC) No 809/2004 of 29 April 2004)

Principal Markets

MünchenerHyp is particularly focused on the German market. Around 58 per cent. of new mortgage lending business in the first nine months of the financial year 2009 was generated in the Federal Republic of Germany.

Private customer business

The Bank maintains 11 regional offices throughout Germany staffed by experts throughout the Federal Republic of Germany to support the ongoing business relationships with the Volksbanken and Raiffeisenbanken. MünchenerHyp conducts its private residential lending business via the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*), the Volksbanken and Raiffeisenbanken and the regional offices, which serve as lending partners to the local banks within the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*).

Commercial lending business

MünchenerHyp's national and international commercial property lending business is centrally managed from its Munich headquarters. In the Federal Republic of Germany, MünchenerHyp has three sales offices: in Frankfurt am Main, Hamburg and Berlin. The international set up consists of a network of cooperating partners in London, New York, Paris, Madrid and Vienna.

Organisational Structure

Subsidiary Companies

MünchenerHyp has five subsidiaries:

M-Wert GmbH, Immobilienservice GmbH der Münchener Hypothekenbank eG ("**M-Service-GmbH**"), Nußbaumstraße GmbH & Co. KG, CM Komplementär 07-868 GmbH & Co. KG and Blitz 07-671 GmbH.

The capital of these companies is fully owned by MünchenerHyp.

M-Wert GmbH's core business is to prepare market and current value appraisals and to determine lending values under paragraph 16 Pfandbrief Act (*Pfandbriefgesetz*).

M-Service-GmbH supports MünchenerHyp's workout management and property management departments.

Due to the subordinated significance of the subsidiaries for property, finance and net earnings position, the Bank has decided to dispense with the compilation of consolidated group financial statements in accordance with section 296 (2) of the German Commercial Code (*Handelsgesetzbuch*).

Trend Information

Statement of "No Material Adverse Change"

There has been no material adverse change in the prospects of MünchenerHyp since 31 December 2008 (the date of the last published audited annual financial statements).

Management and Supervisory Bodies

Management and Supervisory Bodies

MünchenerHyp's governing bodies are the Board of Management, the Supervisory Board and the General Meeting (*Generalversammlung*) / meeting of representatives (*Vertreterversammlung*).

Board of Management

The Board of Management currently consists of five members.

Mr. Erich Rödel is Chairman of the Board of Management. The other members of the Board of Management are Dr. Louis Hagen, Bernhard Heinlein, Dr. Bernhard Scholz and Klaus Sturm.

Supervisory Board

The Supervisory Board consists of at least seven members, who are elected by the General Meeting:

Prof. Dr. Willibald J. Folz, Attorney, is Chairman of the Supervisory Board. The other members of the Supervisory Board are S.K.H. Herzog Max in Bayern, Michael Glos, Konrad Irtel, Michael Jung, Wilfried Mocken, Hans Pfeifer and Hans-Joachim Tonnellier.

Address of the Board of Management and the Supervisory Board

Münchener Hypothekenbank eG, Karl-Schamagl-Ring 10, 80539 Munich, Federal Republic of Germany.

General Meeting (Generalversammlung)

The Ordinary General Meeting is called within the first six months of the year by the Chairman of the Supervisory Board or by the Board of Management. The Board of Management, as well as the Chairman of the Supervisory Board, have the right to call an Extraordinary General Meeting for important events.

Conflict of Interests

There are no potential conflicts of interests between any duties to MünchenerHyp of the members of the Board of Management and the Supervisory Board and their private interests and/or other duties.

Major Members

Approximately 38 per cent. of MünchenerHyp's members' capital contributions of approximately EUR 146 million is held by primary banks and cooperative central banks. Approximately 62 per cent. is held by customers and other members.

None of the shareholders holds more than 0.96 per cent. of the participation shares in MünchenerHyp.

Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses

Historical Financial Information

Overview

The following table sets out in summary form the balance sheet of MünchenerHyp, which has been extracted from the respective audited annual financial statements of MünchenerHyp for the financial years ended 31 December 2008 and 2007:

MünchenerHyp					
Assets			Liabilities, Capital and Reserves		
in EUR mln	2008	2007	in EUR mln	2008	2007
Claims on banks	5,218.5	4,461.4	Liabilities to banks	4,210.8	3,348.2
Claims on customers	22,284.1	20,571.1	Liabilities to customers	9,114.9	8,086.0
Bonds and other fixed-income			Certificated liabilities	21,829.6	20,559.1
Securities	7,905.0	7,124.0	Subordinated liabilities	116.3	66.3
Other assets	726.8	776.8	Profit-participation certificates	57.3	57.3
			Other liabilities	131.7	164.9
			Capital and reserves	673.8	651.5
Balance-sheet total	36,134.4	32,933.3	Balance-sheet total	36,134.4	32,933.3

The following financial data has been extracted from the respective audited annual financial statements of MünchenerHyp for the financial years ended 31 December 2008 and 2007:

in EUR mln	2008	2007	Change
Interest income	1,619.4	1,549.7	69.7
Interest expense	1,504.5	1,445.1	59.4
Current income	13.7	16.6	-2.9
Net interest income	128.6	121.2	7.4
Net commission income	-27.8	-21.2	-6.6
Net interest income and commission income	100.8	100.0	0.8
Net trading result	-0.7	0.0	-0.7
General administrative expenses			
a) Personnel expenses	30.1	27.3	2.8
b) Other administrative expenses	19.7	19.1	0.6
Amortisation and depreciation of intangible and tangible assets	3.2	3.4	-0.2
Administrative expenses	53.0	49.8	3.2
Balance of other operating revenue/expenses	7.6	-1.2	8.8
Net provisions for risks	-29.7	-26.7	-3.0
Valuation results of financial investments	0.5	9.3	-8.8
Operating result	25.5	31.6	-6.1

Capitalisation of MünchenerHyp

The following table sets out (i) the respective unaudited capitalisation of MünchenerHyp as at 30 September 2009 and 2008, as extracted from the unaudited Business Figures September 2009, as well as (ii) the respective capitalisation of MünchenerHyp as at 31 December 2008 and 2007 extracted from the respective audited annual financial statements:

in EUR mln	30 Sept. 2009 (unaudited)	30 Sept. 2008 (unaudited)	31 Dec. 2008 (audited)	31 Dec. 2007 (audited)
Liabilities to banks	5,744	4,320	4,211	3,348
Registered mortgage Pfandbriefe issued	669	708	625	715
Registered public-sector Pfandbriefe issued	200	250	217	258
Other liabilities	4,875	3,362	3,369	2,375
Liabilities to customers	9,261	8,927	9,115	8,086
Registered mortgage Pfandbriefe issued	3,770	3,608	3,690	3,012
Registered public-sector Pfandbriefe issued	4,451	4,332	4,466	4,343
Other liabilities	1,040	987	959	731
Certificated liabilities	19,218	20,288	21,830	20,559
Mortgage Pfandbriefe issued	8,921	8,062	8,167	7,144
Public-sector Pfandbriefe issued	6,524	8,599	8,701	9,083
Other bonds issued	3,665	3,598	4,833	4,332
Money market paper	108	29	129	0
Deferred items	20	26	23	26
Subordinated liabilities	138	116	116	66
Profit-participation certificates	21	57	57	57
Capital and reserves (after allocation to the reserves)	657	648	665	643
Subscribed capital	381	375	389	370
a) Member's capital contributions	146	137	144	127
b) Silent participations	235	238	245	243
Revenue reserves	276	273	276	273
a) Legal reserve	275	272	275	272
b) Other revenue reserves	1	1	1	1
Net income ^{*)}	8	8	10	12
Other liabilities (including provisions and trust liabilities)	204	215	107	136
Total liabilities, capital and reserves	35,271	34,605	36,134	32,933
Contingent liabilities	99	57	107	56
Irrevocable loan commitments	1,181	1,954	2,100	1,314

^{*)} The net income less transfer to reserves results in the net income.

Statutory Auditor

The auditor of MünchenerHyp for the financial years ended 31 December 2008 and 2007 was DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V., Pariser Platz 3, 10117 Berlin, Federal Republic of Germany.

The auditor is an extraordinary member of the Institute of Public Auditors in the Federal Republic of Germany, Incorporated Association (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

Auditing of Historical Annual Financial Information

The annual financial statements and the management reports for the financial years ended 31 December 2008 and 2007 were audited by DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. and certified with an unqualified audit opinion, respectively.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on MünchenerHyp's financial position or profitability.

Statement of “No significant change in the Bank’s financial or trading position”

There has been no significant change in the financial or trading position of MünchenerHyp since 30 June 2009 (the date of its unaudited Interim Financial Statements for the period 1 January to 30 June 2009).

Summary of the Risk Factors

The following is designed to show only certain aspects of the business of MünchenerHyp, the Capital Securities and the Issuer of which prospective investors should be aware. This summary is not intended to be exhaustive and prospective investors should carefully consider the following summary in conjunction with the other information contained in this Prospectus.

An investment in the Capital Securities is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to suffer any potential loss stemming therefrom. Among other things, these risks relate to the following:

Summary of the risks associated with the business of MünchenerHyp

There will be no Profit Participations under the Participation Agreement and, consequently, there will be no Coupon Payments in respect of the Capital Securities if MünchenerHyp records a Balance Sheet Deficit (*Bilanzverlust*). There is no assurance that MünchenerHyp will show a balance sheet profit in future fiscal years and that it will, therefore, be able to make payments under the Participation Agreement.

MünchenerHyp is subject to different risks within its business activities. The primary risk types are the following:

Borrower failure risk

Borrower failure risk – also referred to as lending risk – is the most significant category of risk for MünchenerHyp. Borrower failure risk refers to the danger that a borrower or a group of borrowers may delay, make partial repayment or even default on repaying a loan to the lender.

Market price risks

Market price risks consist of the risk of possible declines in the value of positions or portfolios arising from changes in market parameters including interest rates and exchange rates. These risks are qualified as potential losses of present value using a present value model that differentiates between changes in interest rates as well as risks arising from options and currency rates. Market price risks also include (credit) spread risk.

Liquidity risks

Liquidity risks include all risks arising from incomplete payment of obligations that could endanger the Bank's net income and capital.

Operational risks

Operational risks refer to possible losses caused by personal misconduct, weaknesses in procedural or project management, technical failure or negative outside influences. They also include legal risks and other general risks. Personal misconduct also includes unlawful actions, improper sales practices, unauthorised actions and transaction errors.

The risk related to MünchenerHyp's ability to make payments under the Participation Agreement and the Loan Agreement is described by reference to the ratings assigned to MünchenerHyp.¹

Since August 2008, the outlook for all of MünchenerHyp's ratings is stated as "Stable". However, given the current market situation, it cannot be excluded that these ratings will change in the near future. The most recent reviews of Moody's ratings in relation to banks and other financial institutions show a tendency to rate such banks and financial institutions more restrictively. Therefore, in case of a review of Moody's current ratings of MünchenerHyp, MünchenerHyp cannot exclude that Moody's will restate the outlook for all of MünchenerHyp's ratings, other than that for Pfandbriefe and Public Pfandbriefe, as "Negative".

Further, the ratings of MünchenerHyp may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the ratings assigned to MünchenerHyp may adversely affect the market price of the Capital Securities. However, any positive change in the credit rating of MünchenerHyp will not necessarily affect the trading price of the Capital Securities.

Moreover, a suspension, reduction or withdrawal of the ratings assigned to MünchenerHyp may adversely affect the conditions governing its refinancing operations. Consequently, MünchenerHyp's cost of funds could increase and this could have a negative impact on its earnings and market position.

¹ A rating is not a recommendation to buy, sell or hold Capital Securities. The current ratings of MünchenerHyp may be obtained from MünchenerHyp's website "www.muenchenerhyp.de".

MünchenerHyp is subject to certain German regulatory capital requirements. There can be no assurance that MünchenerHyp will not be restricted in its ability to conduct or expand its business as a result of insufficient regulatory capital. Any failure of MünchenerHyp to maintain sufficient levels of regulatory capital would have a material adverse effect on its business, results of operations or financial condition and could result in a Balance Sheet Deficit (*Bilanzverlust*).

The crisis in the financial markets provoked by the sub-prime mortgage crisis in the United States of America in 2007 and which escalated in 2008 has led to tremendous write-downs of assets in the balance sheets of many banks and to a substantial widening of credit spreads in the capital markets which increased the cost of refinancing of certain banks. Because of such increased cost and substantial write-downs some market participants faced economic difficulties and could not avoid bankruptcy which led to considerable loss of trust in the interbank credit market with the result that lending among banks dried up substantially. As a consequence of the financial market crisis the Bank may encounter difficulties in obtaining refinancing or may only be able to obtain refinancing at elevated rates. The Bank may further face increased counterparty risk. The inability of the Bank to refinance itself would have a material adverse effect on its liquidity position.

In order to stabilise financial markets, provide liquidity, restore the confidence of financial market participants and prevent a further aggravation of the financial crisis, the German legislator enacted on 18 October 2008 the Financial Market Stabilisation Act ("FMStG"), as amended with effect from 9 April 2009 and 1 August 2009 establishing the Financial Market Stabilisation Fund (the "Fund") and creating a package of stabilisation instruments. Financial sector companies which benefit from any stabilisation instruments under the FMStG are subject to special regulations.

While the FMStG's purpose includes stabilising financial markets there is no guarantee that this purpose will be attained.

Summary of the risks associated with an investment in the Capital Securities

The purchase of the Capital Securities involves certain risks arising as a result of specific characteristics of the Capital Securities and the underlying Participation Agreement. These could result in serious losses for the investor either (i) because no or only reduced Coupon Payments occur or (ii) because no or only a reduced Repayment Amount may be paid or (iii) because the sale of the Capital Securities may be not possible or only at a lower price. These risks result from the following:

The Issuer's payment obligations under the Capital Securities depend upon the receipt in full of the necessary amounts payable by MünchenerHyp under the Participation Agreement and by the Lender under the Loan Agreement. To the extent the Issuer does not receive such amounts, there is no obligation to make payments under the Capital Securities.

Profit Participation Payments under the Participation Agreement and Coupon Payments under the Capital Securities are conditional and non-cumulative. Coupon Payments will only be paid on the Capital Securities if and to the extent that Profit Participation Payments under the Participation Agreement are accrued for any Profit Period and are effectively received by the Issuer. Profit Participation Payments and Coupon Payments in subsequent years will not increase to compensate for any shortfall in Profit Participation Payments or Coupon Payments in any previous year.

Coupon Payments depend on MünchenerHyp's profits. No Coupon Payments will be payable for any Profit Period if and to the extent that Coupon Payments would create or increase a Balance Sheet Deficit (*Bilanzverlust*) in the Bank's unconsolidated German GAAP accounts for the fiscal year of the Bank corresponding to the relevant Profit Period. The same applies if the Bank's solvency ratio falls below a certain level and/or if certain other conditions are met. Further, the Participation Agreement provides that no Profit Participation Payments will accrue or be payable by the Bank for any Profit Period if the book value of the Silent Contribution is lower than the Nominal Contribution Amount due to a Balance Sheet Deficit (*Bilanzverlust*) of MünchenerHyp. Coupon Payments in subsequent years will not increase to compensate for any shortfall in Coupon Payments in a previous year.

The Bank is legally capable of influencing its ability to make Profit Participation Payments to the Issuer as its management has broad discretion to make allocations and reserves pursuant to the German Commercial Code (*Handelsgesetzbuch*) which will reduce any net income for the year which is the basis for the calculation of the balance sheet profit and, thus, the accrual of Profit Participations.

Moreover, under German law, the BaFin may prohibit or limit the payment of interest on silent partnership interests qualifying as core capital (such as the funds provided to the Bank under the Participation Agreement) to the extent such payments are not covered by a current annual net income.

Furthermore, the Capital Securities have no scheduled maturity. Therefore, Security Holders should be aware that they might be required to bear the financial risks of an investment in the Capital Securities for an indefinite period of time. Under their terms, the Capital Securities may only be terminated by the Issuer and may not be terminated by the Security Holders. Besides the right of the Issuer to terminate the Capital Securities according to the terms and conditions of the Capital Securities, there might under German law persist the right to terminate contracts in extraordinary circumstances (*Kündigungsrecht aus wichtigem Grund*) which cannot be excluded.

In addition, the Silent Contribution has no scheduled maturity. Its terms only provide for termination by the Bank and not by the Issuer. Except for certain tax or regulatory reasons, as stipulated in this Prospectus, the Participation Agreement provides that an ordinary termination may not become effective earlier than 31 December 2014. In addition, except in circumstances where the Silent Contribution will no longer qualify as solo Tier I capital for regulatory purposes, in which case the Bank may terminate the Participation Agreement with immediate effect, the Participation Agreement stipulates that no termination shall become effective without prior regulatory approval and provided that there is no Reduction of the Silent Contribution's book value as at the time at which the termination notice is given. Moreover, any termination by the Bank of the Participation Agreement will be at the Bank's full discretion.

The Repayment Amount of the Capital Securities is dependent on the book value of the Silent Contribution according to German Commercial Code (*Handelsgesetzbuch*) as specified in the Bank's balance sheet for the fiscal year of the Bank in which the termination date in respect of the silent partnership falls. If the book value of the Silent Contribution is reduced due to a Balance Sheet Deficit (*Bilanzverlust*) of the Bank in the fiscal year of the Bank as of the end of which the Participation Agreement is terminated and if, in such case, the BaFin approves the repayment of the Silent Contribution, the Repayment Amount is reduced to the corresponding extent.

The obligations of the Issuer under the terms and conditions of the Capital Securities are (to the extent that they are not secured by the Fiduciary Assignment Agreement) unsecured obligations of the Issuer.

Claims under the Participation Agreement are subordinated in the Bank's insolvency or liquidation. Accordingly, the Issuer's rights, as silent partner, under the Participation Agreement will rank behind all unsubordinated and subordinated creditors of MünchenerHyp in the event of the insolvency or liquidation of MünchenerHyp. To the extent the Issuer does not receive payments under the Participation Agreement, there is no obligation of the Issuer to make payments under the Capital Securities.

The German Stock Corporation Act (*Aktiengesetz*) provides for certain limitations on payments which can be made under so called partial profit transfer agreements (*Teilgewinnabführungsverträge*). The Participation Agreement qualifies as a partial profit transfer agreement. It can not be entirely excluded that such provisions might be applied analogously to registered cooperatives (*eingetragene Genossenschaften*) like MünchenerHyp.

Moreover, MünchenerHyp may incur additional liabilities and issue further securities.

There can be no assurance that agreements connected to this transaction are on terms as favourable to the Issuer as those that could have been obtained from parties unaffiliated with MünchenerHyp.

There has been no prior market for the Capital Securities and there can be no assurance that an active public market for the Capital Securities will develop. In addition, hybrid financial instruments such as the Capital Securities have experienced pronounced price fluctuations in connection with the crisis of the financial markets and the banking sector since 2007.

The Capital Securities, the Participation Agreement, the Loan Agreement and the Fiduciary Assignment Agreement are governed by German law. Under German law, the right to terminate continuous contracts (*Dauerschuldverhältnisse*) in extraordinary circumstances (*Kündigungsrecht aus wichtigem Grund*) cannot be excluded. Even though the circumstances under which such a termination right exists are limited, there can be no assurance that a party to any of those agreements will not assert the existence of such a termination right in the future.

The Issuer expects that, upon issuance, the Capital Securities will be assigned a rating of A2 by Moody's Investors Service Inc. ("**Moody's**")¹. Any change in the credit rating assigned to the Capital Securities may affect the market value of the Capital Securities. Prospective investors should be aware that Moody's have announced a change in its methodology which may result in a multi-notch downgrade to low investment grade of the rating assigned to the Capital Securities (if the Capital Securities are issued before the new methodology is applied) or receiving a significantly lower rating than the A2 rating currently expected from Moody's (if the Capital Securities are issued after the new methodology is applied).

Summary of the Risks associated with the Issuer

The Issuer is a special purpose vehicle whose purpose is the implementing of the transaction described in this Prospectus, including the issue of the Capital Securities. The Issuer is unaffiliated with MünchenerHyp and its sole assets are the claims under the Participation Agreement, the Loan Agreement and the Contribution Agreement. If the Issuer does not receive funds under these claims, it will not be in a position to meet its obligations under the Capital Securities. In such case, Security Holders will have no claims or other recourse against MünchenerHyp. Consequently, the Security Holders may have the risk of not being able to receive any income in respect of their investment or, at worst, of being unable to recover their initial investment.

¹ A rating is not a recommendation to buy, sell or hold Capital Securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Capital Securities may adversely affect the market price of the Capital Securities.

Summary of the Offering

The following overview describes the most important elements of the offering and the Transaction. It is necessarily incomplete and investors are urged to read carefully the entire summary and the full text of the Prospectus for a more precise description of the offered Capital Securities.

Securities Offered	Capital Securities (see the section entitled "Summary of the Terms of the Capital Securities") in the aggregate nominal amount determined by the Issuer on or around 19 November 2009.
Issuer	Isar Capital Funding I Limited Partnership, a limited partnership established under the laws of Jersey. The Issuer was established on 4 September 2008 and registered with the Jersey Registrar of Limited Partnerships under registration number LP1096.
Partners in the Issuer	The general partner in the Issuer (with a 0.01 per cent. interest in the Issuer's equity) is Isar Capital Funding I Limited, a limited liability company incorporated under the laws of Jersey (the " Issuer General Partner "). The sole shareholder of the Issuer General Partner is Maurant & Co. Trustees Limited as trustee of The Isar Capital Funding I Charitable Trust. The limited partner in the Issuer (with 99.99 per cent. interest in the Issuer's equity) is Isar Funding I GmbH, Munich, Germany, a limited liability company (<i>Gesellschaft mit beschränkter Haftung</i>) incorporated under the laws of Germany (the " Issuer Limited Partner "). The sole beneficial shareholder of the Issuer Limited Partner is Maurant & Co. Trustees Limited as trustee of The Isar Funding I GmbH Charitable Trust.
Limited Purpose of Issuer	Apart from entering into the Participation Agreement (see the section entitled "Summary of the Terms of the Participation Agreement"), the entering into other agreements ancillary to the Transaction and the issuance of the Capital Securities, the Issuer's Limited Partnership Agreement prohibits the creation of additional liabilities, except for those liabilities which are necessary to keep its business in operation.
Münchener Hypothekenbank	Münchener Hypothekenbank eG, Munich, Germany, a registered cooperative (<i>eingetragene Genossenschaft</i>) registered in the register of cooperatives (<i>Genossenschaftsregister</i>) kept at the local court (<i>Amtsgericht</i>) in Munich under registration number 396 (" MünchenerHyp ").
Participation	With the proceeds of the issue of the Capital Securities, the Issuer will acquire the Participation pursuant to the Participation Agreement; see the section entitled "Summary of the Terms of the Participation Agreement".
Loan Agreement	Under the Loan Agreement, MünchenerHyp will pay Loan Advances to the Issuer corresponding to the relevant withholdings on account of German Withholding tax on the Profit Participation Payments and on replenishments of the Silent Contribution after a Reduction. The Issuer will use the Loan Advances to fund its obligations to make the Coupon Payments under the Capital Securities and to make such additional cash contribution to MünchenerHyp as is necessary to make up the withheld tax and complete the replenishment of the Silent Contribution following a Reduction. See the section entitled "Summary of the Terms of the Loan Agreement".
Fiduciary Assignment Agreement	Pursuant to the Fiduciary Assignment Agreement, the Issuer has assigned to the Security Trustee, for the benefit of the Security Holders, all present and future payment claims under the Participation Agreement and the Loan Agreement. See the section entitled "Description of the Fiduciary Assignment Agreement".
Contribution Agreement	The Issuer Limited Partner has undertaken in the Contribution Agreement with the Issuer General Partner to contribute to the Issuer amounts that it receives from the German tax authorities on account of its Tax Refund Claims as and when it receives such amounts.
Paying Agent	BNP Paribas Securities Services, Frankfurt Branch.
Rating	The Issuer expects that, upon issuance, the Capital Securities will be assigned a rating of A2 by Moody's Investors Service, Inc. However, Moody's Investors Service, Inc. has released a request for Comment entitled "Moody's Proposed Changes to Bank Subordinated Capital Ratings" in June

2009 requesting market feedback on potential changes to its bank rating methodology. Should Moody's Investors Service, Inc. implement this revised methodology as proposed, the ratings on hybrid securities such as the Capital Securities could potentially be negatively affected by multi-notch downgrades to low investment grade. A rating is not a recommendation to buy, sell or hold securities, and may be subject to revision, suspension or withdrawal at any time by Moody's Investors Service, Inc.

Security Trustee

BNP Paribas Trust Corporation UK Limited, London

The Security Trustee is acting for the benefit of the Security Holders under the Fiduciary Assignment Agreement. See "Fiduciary Assignment Agreement" as well as the section entitled "Description of the Fiduciary Assignment Agreement".

Listing and Admission to Trading

Application has been made to the Luxembourg Stock Exchange (*Bourse de Luxembourg*) for the Capital Securities to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Regulated Market (as such term is defined in the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments) "Bourse de Luxembourg" of the Luxembourg Stock Exchange. It is further intended that application will be made to the Munich Stock Exchange for the Capital Securities to be listed on the Munich Stock Exchange and to be traded on the Regulated Market of the Munich Stock Exchange.

Security Codes

ISIN: DE000A1APTA4

WKN: A1APTA

Final Pricing Information

The final aggregate nominal amount, the number of Capital Securities and the rate of interest of the Capital Securities as well as the Nominal Contribution Amount of the Silent Contribution and the rate of interest at which distributions thereon may accrue are expected to be determined on or around 19 November 2009 on the basis of a bookbuilding procedure carried out during the bookbuilding period beginning on or around 9 November 2009 and ending on or around 18 November 2009. The Issuer reserves the right to extend or shorten the offer period in accordance with applicable law. The Issuer also retains the right not to proceed with the issue of the Capital Securities. The results of the bookbuilding procedure will be published by the Issuer in accordance with Article 8(1) in connection with Article 14(2) of the Prospectus Directive and Article 16 of the Luxembourg Law of 10 July 2005 on prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) on or around 20 November 2009 on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Summary of the Terms of the Capital Securities

The following summary refers to certain terms and conditions of the Capital Securities. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the terms and conditions of the Capital Securities which may be found in the section entitled "Terms and Conditions of the Capital Securities". The following description is based on the situation as at the Issue Date of the Capital Securities.

Issuer	Isar Capital Funding I Limited Partnership, a limited partnership established under the laws of Jersey. The Issuer was established on 4 September 2008 and registered with the Jersey Registrar of Limited Partnerships under registration number LP1096.
Nominal Amount	EUR 1,000 per Capital Security.
Aggregate Nominal Amount	The aggregate nominal amount of the Capital Securities will be determined by the Issuer on or around 19 November 2009.
Issue Price	100 per cent. of the Nominal Amount.
Form	The Capital Securities will be represented by a global bearer security (Global Security) without interest coupons. Beneficial interests in the Global Security will be exchangeable for definitive Capital Securities only in limited circumstances (as described in "Terms and Conditions of the Capital Securities"), each in bearer form.
Issue Date	The Issue Date is expected to be on or about 26 November 2009.
Status	<p>The Capital Securities constitute direct, unsubordinated and (except for a security assignment of payment claims of the Issuer to a security trustee acting for the benefit of the Security Holders) unsecured conditional obligations of the Issuer and rank pari passu among themselves and at least pari passu with all other unsubordinated and unsecured obligations of the Issuer, present or future, save for mandatory exceptions prescribed by law.</p> <p>For the ranking of the claims of the Issuer under the Participation Agreement see "Summary of the Terms of the Participation Agreement – Ranking".</p>
Maturity	The Capital Securities are perpetual securities and have no fixed maturity date. The Issuer may redeem the Capital Securities only upon the occurrence of certain events (see "- Repayment Date and Repayment Amount" and "- Early Termination and Repayment").
Coupon Payments	<p>Coupon Payments will be made at a fixed rate of interest to be determined by the Issuer on or about 19 November 2009 and are contingent on the Issuer's receipt of Profit Participation Payments from MünchenerHyp under the Participation Agreement (after deduction of German Withholding Tax) (see "- Summary of the Terms of the Participation Agreement – Profit Participation Payments and Dates") and Advances from the Lender under the Loan Agreement (see "- Summary of the Terms of the Loan Agreement – Loan Advances"). Under the Participation Agreement, Profit Participations on the Silent Contribution accrue for profit periods (the "Profit Periods") which run from (and including) 1 January to (and including) 31 December of each year. The first Profit Period (the "First Profit Period") commences on (and includes) the Start Date and runs to (and includes) 31 December 2009. The last Profit Period runs from 1 January of the year in which the Silent Partner ceases to share in MünchenerHyp's profits and losses and ends on the date on which this occurs (the "Termination Date") (both days inclusive).</p> <p>Coupon Payments under the Capital Securities and Profit Participation Payments under the Participation Agreement are non-cumulative. Coupon Payments will only be paid on the Capital Securities to the extent that Profit Participation Payments are paid and received by the Issuer. Profit Participation Payments and Coupon Payments in subsequent years will not increase to compensate for any shortfall in Profit Participation Payments or Coupon Payments in any previous year.</p>
Coupon Payment Dates	Coupon Payments under the Capital Securities will be made on the dates on which Profit Participation Payments under the Participation Agreement, if any, are paid to the Issuer. Under the Participation Agreement, each Profit Participation will be due on the later of (i) 30 June in the year following the

end of the relevant Profit Period or, if that is not a day on which both, the Clearing System and the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (TARGET 2) settle payments (a “**Business Day**”), the next Business Day and (ii) if the annual financial statements of the Bank for the fiscal year to which the relevant Profit Period relates have not been approved (*festgestellt*) by 29 June in the year following the end of the relevant Profit Period, the Business Day following such approval.

Repayment Date and Repayment Amount

Unless previously redeemed in accordance with § 8 of the Terms and Conditions of the Capital Securities, the Capital Securities will be redeemed after the Participation Agreement has been terminated by MünchenerHyp, which termination can only take place at its option (subject to certain restrictions set out in the Participation Agreement). In such event the Capital Securities will be redeemed on the date on which the Silent Contribution is repaid in accordance with the Participation Agreement. See “- Summary of the terms of the Participation Agreement – Repayment Date”. If the Capital Securities are redeemed on such date, the redemption amount will equal the Repayment Amount (subject to receipt thereof by the Issuer) required to be paid by MünchenerHyp under the Participation Agreement (see “- Summary of the Terms of the Participation Agreement – Repayment”). A redemption amount will only be paid on the Capital Securities to the extent that the Repayment Amount under the Participation Agreement is paid and received by the Issuer.

Early Termination and Repayment

By giving not less than 30 and not more than 60 days’ notice, the Issuer may call the Capital Securities for redemption, in whole but not in part, with effect on 30 June of each year (however, with effect no earlier than 30 June 2015). The Issuer may also redeem the Capital Securities earlier and on a different date if a change in law or regulation would require it to pay additional amounts to the Security Holders to make up for amounts withheld on account of tax. The Issuer shall redeem the Capital Securities at their nominal amount plus any interest accrued thereon. Any such early termination shall not require a contemporaneous termination of the Participation Agreement and payment of the Repayment Amount thereunder, but shall only be permissible if financing of the Redemption Payment has been secured through the issuance of similar debt securities or in any other way.

Payment of Additional Amounts

If the Issuer is required to withhold or deduct amounts payable under the Capital Securities on account of tax, it will be under an obligation to gross up such amounts payable so that the Security Holders receive the full amount that would have been payable were no such withholding or deduction required. The Issuer’s obligation to pay Additional Amounts is subject to funds being available to it for that purpose. The Issuer has currently not entered into any arrangements to avail itself of funds required to pay any such Additional Amounts and its ability to do so will depend on MünchenerHyp’s agreement, at the time, to pay higher profit distributions to cover such Additional Amounts (see “Risk Factors – Distributions on the Capital Securities are conditional”).

Notices

All notices to the Security Holders will be given by the Issuer, so long as any of the Capital Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, by publication in a leading newspaper with general circulation in Luxembourg or by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Governing law

German law.

Governing language

German language.

Tax Consequences

For a discussion of the material Jersey, German and other tax consequences of purchasing, owning and disposing of the Capital Securities, see “Taxation”.

Summary of the Terms of the Participation Agreement

The following summary refers to certain provisions of the Participation Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Participation Agreement which may be found in the section entitled "Description of the Participation Agreement". The following description is based as at the situation on the Issue Date of the Capital Securities.

Bank	Münchener Hypothekenbank eG, Munich, Germany, a credit institution in the form of a registered cooperative (<i>eingetragene Genossenschaft</i>) registered in the register of cooperatives (<i>Genossenschaftsregister</i>) at the local court (<i>Amtsgericht</i>) in Munich under registration number 396.
Silent Partner	Isar Capital Funding I Limited Partnership, a limited partnership established under the laws of Jersey. The Silent Partner was established on 4 September 2008 and registered with the Jersey Registrar of Limited Partnerships under registration number LP1096.
Participation	<p>Silent capital interest in the commercial enterprise (<i>Handelsgewerbe</i>) of MünchenerHyp.</p> <p>MünchenerHyp intends to use the proceeds from the sale of the Participation to strengthen its capital base as well as to support the continuing growth of its business, and expects to treat 100 per cent. of the nominal amount of the Participation as solo Tier I regulatory capital (<i>Kernkapital</i>).</p>
Nominal Contribution Amount	The nominal amount of the Silent Contribution will be determined by the Bank and the Issuer on or around 19 November 2009.
Denominations	The nominal amount is not divided into denominations.
Issue Price	100 per cent.
Form	The Participation is not represented by a security. It is set out in the Participation Agreement, which is a contract between MünchenerHyp and the Issuer.
Start Date	The Participation Agreement provides that the Silent Contribution will be paid to MünchenerHyp on the Start Date (expected to be on or around 26 November 2009).
Maturity	The Participation is a perpetual instrument and has no fixed maturity date. It may nevertheless be repaid upon the occurrence of certain events (see below the paragraph entitled "Repayment Date").
Profit Periods	Profit Participations on the Silent Contribution accrue for profit periods (the " Profit Periods ") which run from (and including) 1 January to (and including) 31 December of each year. The first Profit Period (the " First Profit Period ") commences on (and includes) the Start Date and runs to (and including) 31 December 2009. The last Profit Period runs from 1 January of the year in which the Silent Partner ceases to share in MünchenerHyp's profits and losses and ends on the date on which this occurs (the " Termination Date ") (both days inclusive).
Profit Participation Payments and Dates	Subject to Profit Participations being excluded in whole or in part (see below the paragraph entitled "Profit Participations Excluded"), the Profit Participation for the relevant Profit Periods shall be due and payable on 30 June in the year following the end of the relevant Profit Period or, if that is not a Business Day, the next Business Day or, if the annual financial statements of the Bank for the fiscal year to which the relevant Profit Period relates have not been approved (<i>festgestellt</i>) by 29 June in the year following the end of the relevant Profit Period, on the Business Day following such approval.
No Compensation for Late Payment	No interest or further amounts of profit participations will accrue or be payable on Profit Participation Payments which are not paid due to the postponement of the payment date of a Profit Participation Payment in accordance with the provisions of the Participation Agreement.
Profit Participation Payment for the First Profit Period	Subject to Profit Participations being excluded in whole or in part (see below the paragraph entitled "Profit Participations Excluded"), the Profit Participation for the First Profit Period shall be an amount in EUR to be determined by the Bank and the Issuer on or around 19 November 2009.

Profit Participation Rate for Profit Periods other than the First Profit Period

Subject to Profit Participations being excluded in whole or in part (see below the paragraph entitled "Profit Participations Excluded"), the Profit Participation for each Profit Period after the First Profit Period shall be calculated on the basis of a fixed rate p.a. (to be determined by the Bank and the Issuer on or around 19 November 2009) on the Nominal Contribution Amount.

The Participation Agreement stipulates that the Issuer and the Bank may agree a lower Profit Participation for the last Profit Period subject to the Issuer having sufficient funds available to (i) make payment in full of the scheduled Coupon Payment on the Capital Securities due on the day of the last Profit Participation Payment and (ii) satisfy all other present and future obligations of the Issuer (including the expected costs of the liquidation of the Issuer).

Profit Participations Excluded

If MünchenerHyp records a Balance Sheet Deficit for the fiscal year to which the relevant Profit Period relates, no Profit Participation will accrue for the relevant Profit Period. Hence, the Issuer will not receive a Profit Participation Payment in respect of the relevant Profit Period. Accordingly, no Coupon Payment will be made to the Security Holders in relation to the relevant fiscal year of MünchenerHyp. As set forth in further detail in the Participation Agreement, Profit Participations will not accrue or will not accrue in full:

- (i) if (but only to the extent that) a Profit Participation Payment would create or increase a Balance Sheet Deficit for the fiscal year of the Bank to which the relevant Profit Period relates; or
- (ii) if the book value of the Silent Contribution has been reduced due to losses of the Bank in previous years and not yet fully replenished by profits from the following years; or
- (iii) if, at any time prior to payment of such Profit Participation, an application for the institution of insolvency proceedings in respect of the assets of the Bank has been filed for reasons of threatened or actual illiquidity or overindebtedness, or the BaFin has made use of its powers vested by virtue of §§ 45, 46, 46a and 47 of the KWG or the relevant successor provisions; or
- (iv) if the Bank's solvency ratio (*Gesamtkennziffer*) is below 9% on an unconsolidated basis, to the extent that payment of such Profit Participation would create or increase an annual loss (*Jahresfehlbetrag*) (according to the German Commercial Code (*Handelsgesetzbuch*)) for the fiscal year of the Bank to which the relevant Profit Period relates.

Profit Participation Payments are non-cumulative. Consequently, Profit Participation Payments in subsequent years will not increase to compensate for any shortfall in Profit Participation Payments during a previous year.

Balance Sheet Deficit

There is a Balance Sheet Deficit (*Bilanzverlust*) if the annual unconsolidated balance sheet of the Bank, as audited by an auditing firm which is recognised by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (**BaFin**), does not show a balance sheet profit (*Bilanzgewinn*) for the fiscal year to which the relevant Profit Participation relates that was determined in accordance with the accounting principles generally accepted in the Federal Republic of Germany. Such balance sheet profit includes the net income or loss for the year (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from the previous year, less any loss carried forward from the previous year, plus transfers from capital reserves and revenue reserves (*Kapital- und Ergebnisrücklagen*), less allocations to revenue reserves (*Ergebnisrücklagen*) and any write-up of profit participation rights in the form of profit participation certificates (*Genussscheine*), all in compliance with, and determined in accordance with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)) and other applicable German law then in effect.

Loss Participation and Reduction

If MünchenerHyp incurs a Balance Sheet Deficit, the Silent Partner shares in such deficit. The Silent Partner shares in a Balance Sheet Deficit in the proportion which the book value of the Silent Contribution bears in relation to the aggregate book value of all loss-sharing components of the

MünchenerHyp's liable capital (*Haftkapitalanteile*). As provided in further detail in the Participation Agreement, MünchenerHyp's liable capital includes all participations in the form of a silent partnership (*Stille Gesellschaft*), all profit participation rights in the form of *Genussrechte* or profit participation certificates (*Genussscheine*) in accordance with the German Banking Act (*Gesetz über das Kreditwesen*) and all members' capital contributions.

Following a Balance Sheet Deficit, there will be a corresponding reduction in the book value of the Silent Contribution (the "**Reduction**") in an amount equivalent to the Silent Partner's share in such Balance Sheet Deficit. The Silent Partner's aggregate participation in a Balance Sheet Deficit cannot exceed the Nominal Contribution Amount.

Replenishment of Silent Contribution

Following a Reduction, the book value of the Silent Contribution will be increased in subsequent fiscal years of MünchenerHyp in which net income (*Jahresüberschüsse*) are recorded in accordance with German GAAP. The book value of the Silent Contribution will be replenished *pari passu* with the replenishment of other silent participations but only after all profit participation rights in the form of profit participation certificates (*Genussscheine*) in accordance with the German Banking Act have been fully replenished. A replenishment of members' capital contributions or an allocation to reserves (*Einstellungen in Rücklagen*) may only occur after the Silent Contribution has been fully written up again to the Nominal Contribution Amount of the Silent Contribution at the Start Date.

No such increase of the nominal amount of the Silent Contribution may result in the book value of the Silent Contribution being more than the Nominal Contribution Amount of the Silent Contribution at the Start Date. Profit Participations accruing after a Reduction will be attributed to the current fiscal year but not to any previous fiscal year in which a Profit Participation was not accrued or paid due to a Balance Sheet Deficit.

Principal Payments

No payments of principal will be made by MünchenerHyp other than on repayment of the Silent Contribution (see below the paragraph entitled "Repayment Date"). At such time the book value of the Silent Contribution, taking into account any Reduction, will be repaid (see below the paragraph entitled "Repayment")

Termination

The Participation Agreement is concluded for an indefinite period and, consequently, does not provide for a fixed maturity. Therefore, the Silent Contribution will only be repaid to the Silent Partner after termination of the Participation Agreement in accordance with its terms and subject to the conditions stated therein.

As provided in further detail in the Participation Agreement, MünchenerHyp may only terminate the Participation Agreement:

- (i) if tax or regulatory changes which are material and adverse to MünchenerHyp occur but in no event with effect prior to 31 December 2014 (in which case the Repayment Amount will be paid to the Silent Partner on the next following 30 June, subject to the conditions set forth in the Participation Agreement) (see below the paragraph entitled "Repayment Date"); or
- (ii) with effect as of 31 December of the calendar year in which the fifth complete Profit Period following the expiry of the First Profit Period falls (in which case the Repayment Amount will be paid to the Silent Partner on the next following 30 June, subject to the conditions set forth in the Participation Agreement);

and provided that, in each case, the book value of the Silent Contribution is equal to the Nominal Contribution Amount.

MünchenerHyp may only terminate the Participation Agreement with no less than 30 and no more than 60 days' prior notice to the Silent Partner. Any notice of termination by MünchenerHyp only becomes effective upon the *BaFin*'s approval thereof. MünchenerHyp may exercise the termination rights only if the book value at the time of the termination notice is not less than the Nominal Contribution Amount.

Termination Date

The Termination Date is the date as of which the Silent Partner ceases to participate in the profits and losses of MünchenerHyp as Silent Partner, which occurs upon the effective date set out in the relevant termination

notice delivered in accordance with the terms of the Participation Agreement (including the notice period required under the Participation Agreement).

If the Termination Date occurs on a date other than a 31 December, a Profit Participation will accrue from (and including) 1 January of the year in which the Termination Date occurs to (and including) the Termination Date. For the period thereafter until (and including) the 31 December following the Termination Date, the Silent Partner will be entitled to an interest payment calculated at the rate at which Profit Participations accrue for the Profit Period in which the Termination Date occurs. The interest payment will be due on the same day as the Profit Participation Payment for the Profit Period in which the Termination Date occurs.

Repayment Date

The Repayment Date is 30 June of the year after the fiscal year of MünchenerHyp in which the Participation Termination Date occurs or, if such day is not a Business Day, the next following Business Day. If MünchenerHyp's annual financial statements for the fiscal year in which the Participation Termination Date occurs have not been approved (*festgestellt*) on 29 June of the following year, the Repayment Date will be the Business Day following such approval.

Repayment

On the Repayment Date, MünchenerHyp will pay the lower of the book value or the Nominal Contribution Amount of the Silent Contribution to the Silent Partner.

Compliance with German Banking Regulations

Under applicable German Banking regulations, any repayment of the Silent Contribution made in violation of the terms of the Participation Agreement must be repaid to MünchenerHyp.

Ranking

As provided in further detail in the Participation Agreement, MünchenerHyp's payment obligations under the Participation Agreement:

- (i) are subordinated to the claims of all existing and future creditors of MünchenerHyp (including profit participation rights in the form of profit participation certificates (*Genussscheine*) in accordance with the German Banking Act);
- (ii) rank at least *pari passu* with all claims for the repayment of, and distributions under, capital contributions made with respect to existing and future silent participations in MünchenerHyp; and
- (iii) rank senior to all claims of members of MünchenerHyp in connection with their participation in the members' capital contributions;

in each case as already arisen or arising in the future.

Enforcement Rights

The Participation Agreement constitutes a contract between MünchenerHyp and the Issuer. Therefore, in general, only the Issuer (or the Security Trustee as its assignee pursuant to the Fiduciary Assignment Agreement) can enforce rights under the Participation Agreement against MünchenerHyp. The Issuer has no duty to bring an action against MünchenerHyp in order to enforce its rights under the Participation Agreement.

Place of Performance and Place of Jurisdiction

Munich, Germany.

Governing law

German law.

Governing language

German language.

Summary of the Terms of the Loan Agreement

The following summary refers to certain provisions of the Loan Agreement. The summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Loan Agreement which may be found in the section entitled "Description of the Loan Agreement". The following description is based on the situation as at the Issue Date of the Capital Securities.

Parties	<p>Münchener Hypothekenbank eG, as Lender ("Lender").</p> <p>Isar Capital Funding I Limited Partnership, a limited partnership established under the laws of Jersey as Borrower ("Borrower").</p>
Loan Advances	<p>On each date on which a Profit Participation Payment under the Participation Agreement becomes due, the Lender is required to pay an Advance to the Issuer in an amount corresponding to the withholding made by MünchenerHyp on account of German Withholding Tax on the relevant Profit Participation Payment.</p> <p>On each date on which the Silent Contribution is replenished after a Reduction, the Lender is required to pay an Advance to the Issuer in an amount corresponding to the withholding made by MünchenerHyp on account of German WithholdingTax on the relevant replenishment.</p>
Repayment	<p>The Issuer is required to repay outstanding Advances equal to the full amount of any Contribution Payments that it receives from the Issuer Limited Partner under the Contribution Agreement promptly upon receipt of the relevant Contribution Payment (each such payment a "Repayment").</p>
Interest	<p>The Issuer must pay interest to the Lender on each date that it makes a Repayment. The interest rate will be the Reference Interest Rate, which is the Euro Interbank offered rate for twelve months deposits in euro, plus a margin of 0.5 per cent. per annum; in no event, however, the applicable interest rate shall exceed 4 per cent. per annum or be less than 3 per cent. per annum.</p>
Governing law	<p>German law.</p>
Governing language	<p>German language.</p>

GERMAN TRANSLATION OF THE SUMMARY

ZUSAMMENFASSUNG

Die nachfolgenden Ausführungen stellen eine Zusammenfassung („**Zusammenfassung**“) der wesentlichen Merkmale und Risiken, die auf die Emittentin, die Bank und die auszugebenden Capital Securities zutreffen, dar. Diese Zusammenfassung soll als Einleitung zu diesem Prospekt verstanden und gelesen werden. Jede Entscheidung eines Anlegers zu einer Investition in die Capital Securities sollte sich auf die Prüfung dieses gesamten Prospekts, einschließlich der durch Verweis einbezogenen Dokumente und etwaiger Nachträge zu diesem Prospekt stützen. Für den Fall, dass ein als Kläger auftretender Anleger vor einem Gericht Ansprüche aufgrund der in diesem Prospekt, der in diesen Prospekt durch Verweis einbezogenen Dokumente oder in etwaigen Nachträge zu diesem Prospekt enthaltenen Angaben geltend macht, kann dieser Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften die Kosten für die Übersetzung dieses Prospektes, der durch Verweis einbezogenen Dokumente und etwaiger Nachträge zu diesem Prospekt vor Prozessbeginn zu tragen haben. Die Emittentin und die Bank, die die Zusammenfassung einschließlich einer Übersetzung davon vorgelegt und deren Notifizierung beantragt haben, können haftbar gemacht werden, jedoch nur für den Fall, dass diese Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospektes gelesen wird. Die nachstehende Zusammenfassung ist keine vollständige Darstellung, sondern gehört zu diesem Prospekt und ist im Zusammenhang mit diesem Prospekt insgesamt zu lesen.

Einleitende Zusammenfassung der Transaktion

Der folgende Abschnitt enthält einen kurzen Überblick über die wichtigsten Aspekte der Transaktion, die aus der Ausgabe der Capital Securities durch die Emittentin und der Zahlung der daraus erzielten Erlöse an die MünchenerHyp nach dem Beteiligungsvertrag besteht (die „**Transaktion**“).

Die Emittentin beabsichtigt, in EUR denominated Capital Securities zu begeben, um eine stille Kapitalbeteiligung (die „**Beteiligung**“) am Handelsgewerbe der Münchener Hypothekenbank eG, München („**MünchenerHyp**“ oder die „**Bank**“) zu erwerben. Der abschließende Gesamtkapitalbetrag, die Anzahl und der Festzinssatz der Capital Securities sowie der Einlagenennbetrag der Stillen Einlage (wie jeweils nachstehend definiert) und der Zinssatz, zu dem Ausschüttungen auf die Stille Einlage entstehen können, werden voraussichtlich am oder um den 19. November 2009 durch ein Bookbuilding-Verfahren während der Bookbuilding-Periode, die am oder um den 9. November 2009 beginnt und am oder um den 18. November 2009 endet, festgelegt. Die Emittentin behält sich das Recht vor, nach Maßgabe der anwendbaren Bestimmungen den Angebotszeitraum zu verlängern oder zu verkürzen oder keine Capital Securities zu begeben. Die Ergebnisse des Bookbuilding-Verfahrens werden von der Emittentin gemäß Artikel 8 Absatz 1 in Verbindung mit Artikel 14 Absatz 2 der Richtlinie 2003/71/EG des Europäischen Parlaments und des Rates vom 4. November 2003 („**Prospekt-Richtlinie**“) und Artikel 16 des Luxemburgischen Gesetzes über Wertpapierprospekte vom 10. Juli 2005 (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) am oder um den 20. November 2009 auf der Webseite der Luxemburgischen Börse (www.bourse.lu) veröffentlicht.

Der Ausgabepreis der Capital Securities mit einem Nennbetrag von jeweils EUR 1.000 (die „**Capital Securities**“), die von der Isar Capital Funding I Limited Partnership (die „**Emittentin**“), einer nach dem Recht von Jersey am 4. September 2008 gegründeten Kommanditgesellschaft (*limited partnership*), begeben werden, wird 100 Prozent ihres Nennbetrages betragen.

Die Capital Securities werden ab einschließlich dem Tag ihrer Begebung (voraussichtlich der 26. November 2009, nachfolgend der „**Ausgabetag**“) mit einem von der Emittentin am oder um den 19. November 2009 bestimmten Festzinssatz verzinst. Die Zinszahlungen erfolgen jährlich nachträglich jeweils am 30. Juni. Die erste Zinszahlung am 30. Juni 2010 erfolgt für den Zeitraum ab einschließlich dem Ausgabetag bis ausschließlich zum 30. Juni 2010. Zinszahlungen (jeweils eine „**Zinszahlung**“) können aufgeschoben werden und stehen unter dem Vorbehalt, dass die Emittentin die Beträge aus dem Beteiligungsvertrag und dem Darlehensvertrag (wie jeweils nachfolgend definiert) entsprechend dem Abschnitt „Terms and Conditions of the Capital Securities“ (Emissionsbedingungen der Capital Securities) tatsächlich erhält. Die Capital Securities haben keine Endfälligkeit. Die Capital Securities können nach Wahl der Emittentin am 30. Juni 2015 oder am 30. Juni jedes darauf folgenden Jahres entsprechend dem Abschnitt „Terms and Conditions of the Capital Securities“ (Emissionsbedingungen der Capital Securities) vollständig, jedoch nicht teilweise, zurückgezahlt werden.

Mit dem Erlös aus der Ausgabe der Capital Securities wird die Emittentin die Beteiligung am Handelsgewerbe der MünchenerHyp in Form einer stillen Gesellschaft nach deutschem Recht im Rahmen eines Vertrages erwerben, der eine Bareinlage der Emittentin bei der MünchenerHyp (die „**Stille Einlage**“) in einer von der Bank und der Emittentin am oder um den 19. November 2009 bestimmten Höhe in EUR vorsieht (der „**Einlagenennbetrag**“) und der vom oder um den 24. November 2009 datieren wird (der „**Beteiligungsvertrag**“). Die Emittentin plant, die Zinszahlungen auf die Capital Securities mit Ausschüttungen zu finanzieren, die sie gemäß dem Beteiligungsvertrag erhält, sowie mit Zahlungen von der MünchenerHyp im Rahmen des Darlehensvertrages (wie nachfolgend definiert).

Im Gegenzug wird die Emittentin als stille Gesellschafterin – vorbehaltlich der nachfolgenden Absätze – jährliche Gewinnbeteiligungen erhalten („**Gewinnbeteiligungen**“), die auf der Grundlage des Einlagenennbetrags ihrer Stillen Einlage in jedem Geschäftsjahr der MünchenerHyp ermittelt und jährlich nachträglich ausgeschüttet werden („**Gewinnbeteiligungszahlungen**“).

Gewinnbeteiligungen fallen nicht an, wenn (und nur soweit wie) dies entsprechend der Berechnung nach dem Beteiligungsvertrag gemäß deutschen handelsrechtlichen Rechnungslegungsvorschriften zur Entstehung oder Erhöhung eines Bilanzverlusts

(„**Bilanzverlust**“) der Bank führen würde. Ein Bilanzverlust liegt vor, wenn die jährliche nicht konsolidierte Bilanz der MünchenerHyp entsprechend der Berechnung nach dem Beteiligungsvertrag gemäß deutschen handelsrechtlichen Rechnungslegungsvorschriften keinen Bilanzgewinn ausweist.

Ein solcher Bilanzgewinn schließt den Jahresüberschuss oder -fehlbetrag ein, *zuzüglich* des Gewinnvortrags aus dem Vorjahr, *abzüglich* des Verlustvortrags aus dem Vorjahr, *zuzüglich* der Entnahmen aus Kapital- und Ergebnisrücklagen, *abzüglich* Einstellungen in Ergebnisrücklagen und der Heraufschreibung von Genussscheinen, und zwar jeweils nach Maßgabe und in Übereinstimmung mit den deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) sowie sonstigem zum maßgeblichen Zeitpunkt anwendbaren deutschen Recht. Weder die MünchenerHyp noch ihre Mitglieder sind verpflichtet, Rücklagen aufzulösen, um einen Bilanzgewinn zu gewährleisten.

Falls der Bilanzgewinn der MünchenerHyp für die Gewinnbeteiligungen in voller Höhe nicht ausreicht, werden Gewinnbeteiligungen nur zum Teil fällig oder ganz ausgeschlossen sein. Darüber hinaus nimmt die Emittentin als stille Gesellschafterin an einem Bilanzverlust im Verhältnis des Buchwerts ihrer Stillen Einlage zum Gesamtbuchwert aller Haftkapitalanteile der MünchenerHyp teil. In diesem Fall wird der Buchwert der Stillen Einlage um den Betrag des auf sie entfallenden Anteils am betreffenden Bilanzverlust herabgesetzt („**Herabsetzung**“). Nach einer Herabsetzung werden künftige Bilanzgewinne dazu verwendet, den Buchwert der Stillen Einlage wieder auf den Einlagenennbetrag aufzufüllen. Künftige Gewinnbeteiligungen werden nur gezahlt, wenn der Buchwert der Stillen Einlage vollständig auf den Einlagenennbetrag wieder aufgefüllt wurde.

Die Bank darf ihr Recht zur ordentlichen Kündigung des Beteiligungsvertrags nur dann ausüben, wenn der Buchwert der Stillen Einlage zum Zeitpunkt der Kündigungserklärung nicht unter dem Einlagenennbetrag liegt. Der Buchwert der Stillen Einlage kann jedoch herabgesetzt werden, falls die jährliche nicht konsolidierte Bilanz der MünchenerHyp für das Geschäftsjahr, in dem eine solche Kündigung erklärt wird, einen Bilanzverlust ausweist, so dass der Buchwert der Stillen Einlage zu dem Zeitpunkt, an dem die Stille Einlage zur Rückzahlung fällig wird, unter dem Einlagenennbetrag liegt. In diesem Fall wird der im Rahmen des Beteiligungsvertrags zurückgezahlte Betrag (der „**Rückzahlungsbetrag**“) entsprechend herabgesetzt. **Gewinnbeteiligungszahlungen sind nicht kumulativ. Demzufolge werden Gewinnbeteiligungszahlungen in Folgejahren nicht erhöht, um verringerte Gewinnbeteiligungszahlungen in Vorjahren auszugleichen.**

Gewinnbeteiligungszahlungen und Wiederauffüllungen der Stillen Einlage nach einer Herabsetzung unterliegen der deutschen Kapitalertragsteuer („**Kapitalertragsteuer**“) zuzüglich Solidaritätszuschlag, die von der MünchenerHyp einbehalten und an die deutschen Finanzbehörden abgeführt werden. Soweit solche Gewinnbeteiligungszahlungen und derartige Wiederauffüllungen nach deutschem Steuerrecht der Kommanditistin der Emittentin (die „**Emittentin-Kommanditistin**“) als steuerpflichtiger Gewinn zuzurechnen sind, gelten die Einbehalte als Vorauszahlung auf die von der Emittentin-Kommanditistin geschuldete Körperschaftsteuer in Deutschland. Die Emittentin-Kommanditistin geht davon aus, dass ihr Erstattungsansprüche gegen die deutschen Finanzbehörden zustehen (die „**Steuererstattungsansprüche**“), und zwar in Höhe der Beträge, um die die Vorauszahlungen in Form der Einbehalte der MünchenerHyp ihre tatsächliche deutsche Körperschaftsteuerschuld überschreiten. Die Emittentin-Kommanditistin wird sich in einem gesonderten Einzahlungsvertrag mit der Komplementärin der Emittentin (die „**Emittentin-Komplementärin**“) am oder um den 24. November 2009 (der „**Einzahlungsvertrag**“) verpflichten, an die Emittentin die Beträge zu zahlen, die sie von den deutschen Finanzbehörden wegen ihrer Steuererstattungsansprüche erhält, sobald sie diese Beträge erhalten hat (jeweils eine „**Kapitaleinzahlung**“). Da Steuererstattungsansprüche erst nach der steuerlichen Veranlagung für jedes Steuerjahr fällig werden, wird die Emittentin am oder um den 24. November 2009 mit der MünchenerHyp (die „**Darlehensgeberin**“) einen Darlehensvertrag (der „**Darlehensvertrag**“) über eine Zwischenfinanzierung abschließen. Nach dem Darlehensvertrag ist die Darlehensgeberin verpflichtet, Darlehensauszahlungen (jeweils eine „**Darlehensauszahlung**“) an die Emittentin zu leisten. Die Darlehensauszahlungen erfolgen (i) in Höhe der Einbehalte der MünchenerHyp wegen Kapitalertragsteuer im Zusammenhang mit Gewinnbeteiligungszahlungen zur teilweisen Finanzierung der Verpflichtung der Emittentin, Zinsen auf die Capital Securities zu zahlen, und (ii) in Höhe der Einbehalte der MünchenerHyp wegen Kapitalertragsteuer im Zusammenhang mit einer Wiederauffüllung der Stillen Einlage nach einer Herabsetzung zur Finanzierung der Verpflichtung der Emittentin, den entsprechenden Betrag an die MünchenerHyp zu zahlen, um die Stille Einlage weiter aufzufüllen. Die Emittentin rechnet damit, die Darlehensauszahlungen mit Geldern, die sie aus den Kapitaleinzahlungen erhält, zurückzuzahlen.

Zahlungen von Kapital und Zinsen auf die Capital Securities stehen unter der Bedingung, dass die Emittentin (i) Gewinnbeteiligungen und den Rückzahlungsbetrag gemäß dem Beteiligungsvertrag von der MünchenerHyp und (ii) Darlehensauszahlungen von der Darlehensgeberin gemäß dem Darlehensvertrag erhalten hat. Zahlungen in Bezug auf die Capital Securities sind somit von den Gewinnbeteiligungszahlungen und der Zahlung des Rückzahlungsbetrages abhängig, die ihrerseits jeweils von den finanziellen Ergebnissen der MünchenerHyp abhängen. Daher hängt die Verpflichtung der Emittentin zur Leistung von Zinszahlungen sowie von Tilgungszahlungen auf die Capital Securities und zur Zahlung der auf die Capital Securities aufgelaufener Zinsen (die letzten beiden zusammen „**Kapitalzahlungen**“) in Bezug auf die Capital Securities von der Finanz- und Ertragslage der MünchenerHyp ab.

Entsteht der MünchenerHyp in einem Geschäftsjahr ein Bilanzverlust, werden die Inhaber der Capital Securities (die „Emissionsgläubiger“), bis die Stille Einlage mit späteren Bilanzgewinnen vollständig wiederaufgefüllt wurde, keine Zinszahlungen auf die Capital Securities und unter Umständen keine Kapitalzahlungen auf die Capital Securities erhalten.

Ansprüche aus dem Beteiligungsvertrag sind im Fall einer Insolvenz oder Liquidation der Bank nachrangig. Deshalb gehen bei einer Insolvenz oder Liquidation der MünchenerHyp die Rechte der Emittentin als stiller Gesellschafterin gemäß dem Beteiligungsvertrag im Rang allen nicht nachrangigen und nachrangigen Gläubiger der MünchenerHyp nach.

Die Capital Securities haben eine unbegrenzte Laufzeit und werden nur zurückgezahlt, wenn der Beteiligungsvertrag gekündigt und die Stille Einlage an die Emittentin zurückgezahlt wird oder wenn die Emittentin sich zur Ausübung ihres Rechts auf vorzeitige Kündigung entscheidet. Der Beteiligungsvertrag hat eine unbegrenzte Dauer. Nach seinen Bestimmungen kann der Beteiligungsvertrag nur von der MünchenerHyp, nicht jedoch von der Emittentin gekündigt werden. Vorbehaltlich bestimmter in diesem Prospekt genannter Ausnahmen wird eine ordentliche Kündigung des Beteiligungsvertrags durch die MünchenerHyp

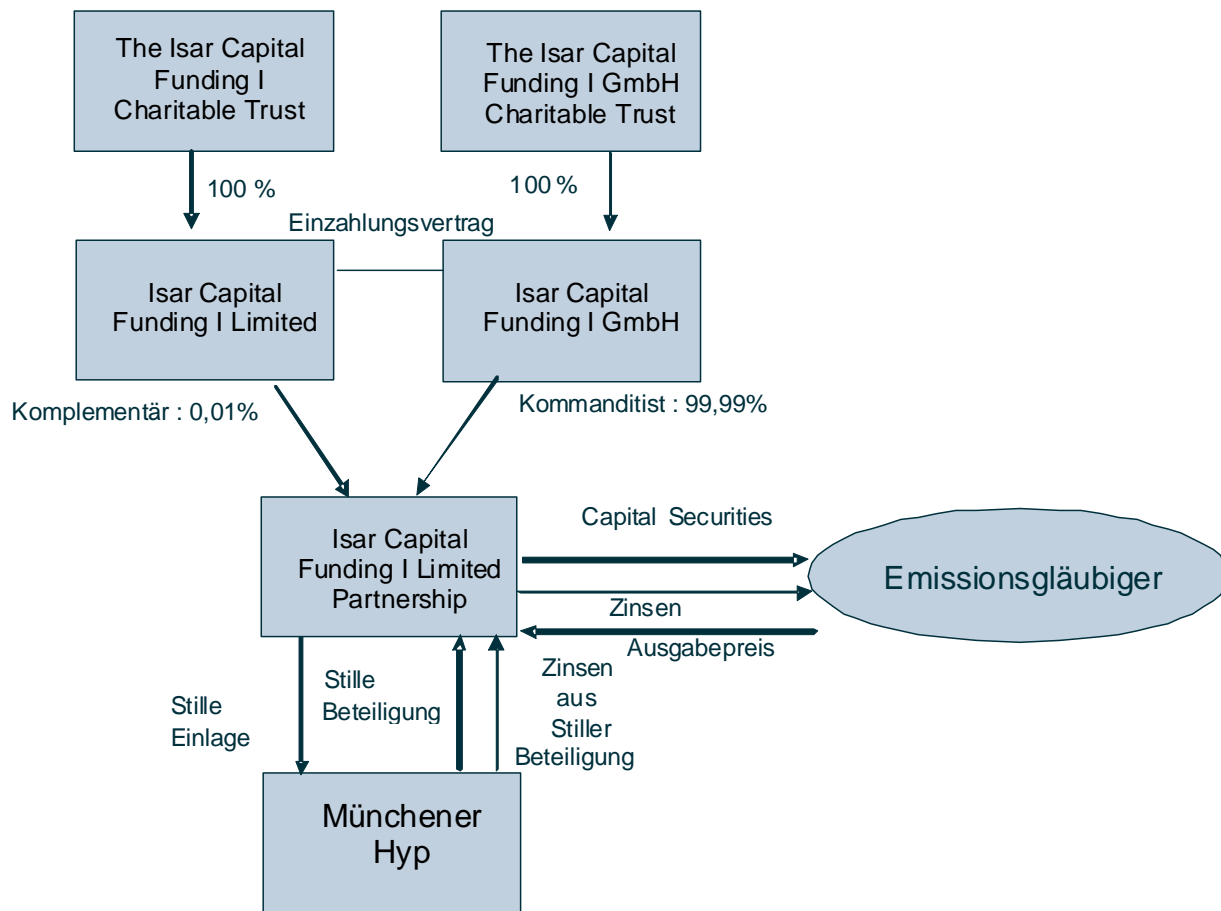
frühestens zum 31. Dezember 2014 wirksam. Daneben sieht der Beteiligungsvertrag vor, dass eine Kündigung nur mit vorheriger aufsichtsrechtlicher Genehmigung wirksam wird.

Deshalb sollten Emissionsgläubiger beachten, dass sie möglicherweise die finanziellen Risiken einer Anlage in den Capital Securities für unbegrenzte Dauer zu tragen haben.

Gemäß dem Sicherungsabtretungsvertrag (*Fiduciary Assignment Agreement*) (der „**Sicherungsabtretungsvertrag**“), der am oder um den 24. November 2009 zwischen der Emittentin, der MünchenerHyp als Bank, der MünchenerHyp als Darlehensgeberin und BNP Paribas Trust Corporation UK Limited als Sicherheitentreuhänder zugunsten der Emissionsgläubiger („**Sicherheitentreuhänder**“) geschlossen werden soll, wird die Emittentin dem Sicherheitentreuhänder zugunsten der Emissionsgläubiger alle gegenwärtigen und künftigen Zahlungsansprüche nach dem Beteiligungsvertrag und dem Darlehensvertrag abtreten.

Die MünchenerHyp beabsichtigt, die von ihr aus dem Verkauf der Beteiligung erzielten Erlöse zur Stärkung ihrer Kapitalbasis sowie zur Stützung des kontinuierlichen Geschäftswachstums zu verwenden und erwartet, 100 % des Nennbetrags der Beteiligung als Kernkapital auf Institutsebene zu behandeln. Wegen weiterer Informationen über die für die MünchenerHyp geltenden aufsichtsrechtlichen Vorschriften zur Kapitalausstattung siehe „Regulation“.

Die Angebotsstruktur sieht wie folgt aus:



Zusammenfassung der Emittentin

Rechtliche und wirtschaftliche Firma, Ort der Registrierung, Registrierungsnummer

Die Emittentin wurde am 4. September 2008 gegründet und unter der Firma „Isar Capital Funding I Limited Partnership“ nach dem Gesetz über Kommanditgesellschaften der Insel Jersey von 1994 (*Limited Partnerships Law*) eingetragen. Sie ist in dem Register für Kommanditgesellschaften der Insel Jersey (*Registrar of Limited Partnerships*) unter der Nummer LP1096 eingetragen. Die Emittentin wurde auf unbestimmte Zeit gegründet, ist keine von ihren Gesellschafterinnen getrennte Rechtsperson und besitzt keine operative Geschichte. Die Emittentin wurde als Zweckgesellschaft (*special purpose vehicle*) zum Zweck der Durchführung der in diesem Prospekt beschriebenen Transaktion, einschließlich der Ausgabe der Capital Securities, gegründet.

Die Emittentin hat seit dem Tag ihrer Gründung keine Geschäftstätigkeit aufgenommen und keine Verbindlichkeiten begründet, ausgenommen Verbindlichkeiten, die mit ihrer Gründung oder Verwaltung zusammenhängen.

Eingezahltes Kapital

Gemäß dem Gesellschaftsvertrag zwischen der Emittentin-Komplementärin und der Emittentin-Kommanditistin vom 3. September 2008 betrug das Gesellschaftskapital der Emittentin US\$ 1.000,00 (eintausend US Dollar). Der Gesellschaftsvertrag vom 3. September 2008 ist durch eine Änderungsvereinbarung zwischen der Emittentin-Komplementärin und der Emittentin-Kommanditistin vom 30. Oktober 2009 geändert worden, wonach das Gesellschaftskapital der Emittentin EUR 1.000 (eintausend Euro) beträgt.

Gesellschafterinnen

Die Emittentin-Komplementärin ist die Isar Capital Funding I Limited, eine nach dem Recht von Jersey gegründete Kapitalgesellschaft, deren alleinige wirtschaftliche Eigentümerin die Mourant & Co. Trustees Limited als Treuhänder für die Isar Capital Funding I Charitable Trust ist, eine unabhängige wohltätige Stiftung mit Sitz in Jersey. Die Emittentin-Kommanditistin ist die Isar Funding I GmbH, eine Gesellschaft mit beschränkter Haftung nach deutschem Recht mit Sitz in München. Die alleinige wirtschaftliche Eigentümerin der Emittentin-Kommanditistin ist die Mourant & Co. Trustees Limited als Treuhänder für die Isar Funding I GmbH Charitable Trust, eine unabhängige wohltätige Stiftung mit Sitz in Jersey.

Haupttätigkeit

Die Emittentin ist eine Zweckgesellschaft. Gemäß dem Gesellschaftsvertrag zwischen der Emittentin-Komplementärin und der Emittentin-Kommanditistin vom 3. September 2008 besteht der Geschäftszweck der Emittentin darin, sich als stille Gesellschafterin am Geschäft der Bank zu beteiligen und zu diesem Zweck Kapital durch die Ausgabe von Schuldtiteln aufzubringen und verschiedene damit verbundene Tätigkeiten auszuüben. Die Emittentin ist außerdem dazu berechtigt, Nebengeschäfte zu tätigen, die den vorhergehenden Hauptgeschäftszweck fördern. Die Haupttätigkeit der Emittentin stimmt mit dem im Gesellschaftsvertrag festgesetzten Geschäftszweck überein. Die Emittentin hat keine Mitarbeiter.

Geschäftsführung

Die Emittentin handelt durch die Emittentin-Komplementärin, welche alleinvertretungsberechtigt für die Emittentin ist. Die Emittentin-Komplementärin kann unter der eingetragenen Adresse der Emittentin, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Kanalinseln, Telefonnummer +44 1534 609000 kontaktiert werden. Die derzeitigen Geschäftsführer der Emittentin-Komplementärin sind:

Name	Funktion
Helen Grant	Geschäftsführerin
Dean Godwin	Geschäftsführer
Chris Ruark	Geschäftsführer

Jedes der vorgenannten Mitglieder der Geschäftsführung der Emittentin-Komplementärin ist Mitarbeiter einer Tochtergesellschaft der Mourant Limited, in deren Eigentum die Mourant & Co. Limited und die Mourant & Co. Trustees Limited zu 100 % stehen. Die jeweiligen Mitglieder der Mourant-Gruppe sowie Mourant du Feu & Jeune werden für die der Emittentin und der Emittentin-Komplementärin erbrachten Leistungen sowie in ihrer Funktion als Treuhänder des Isar Capital Funding I Charitable Trust und des Isar Funding I GmbH Charitable Trust vergütet.

Die Geschäftsführer der Emittentin-Komplementärin werden für ihre Leistungen von der Emittentin-Komplementärin nicht vergütet. Die Geschäftsführer halten keine unmittelbaren, mittelbaren, materiellen oder wirtschaftlichen Rechte an Anteilen der Emittentin-Komplementärin. Die Mourant & Co Limited leistet die Geschäftsführerfunktionen im Rahmen der gegenüber der Emittentin-Komplementärin gemäß einem Corporate Administration Agreement vom 29. Oktober 2009 zwischen der Emittentin-Komplementärin und der Mourant & Co Limited insgesamt erbrachten Unternehmensverwaltungsleistungen.

Als Mourant-Mitarbeiter sind die Geschäftsführer der Emittentin-Komplementärin auch als Geschäftsführer für andere Unternehmen tätig (einschließlich Unternehmen mit ähnlichen Tätigkeiten wie die Emittentin-Komplementärin) und können sonstige Tätigkeiten ausüben und Interessen haben, die unter Umständen mit den Interessen der Emittentin kollidieren. Nach dem Recht von Jersey ist jeder Geschäftsführer verpflichtet, unbeachtlich anderer Tätigkeiten als Geschäftsführer redlich und nach Treu und Glauben im besten Interesse der Emittentin zu handeln.

Die Geschäftsadresse eines jeden Geschäftsführers der Emittentin-Komplementärin ist 22 Grenville Street, St. Helier, Jersey JE4 8PX, Kanalinseln.

Geschäftsjahr

Das Geschäftsjahr der Emittentin ist das Kalenderjahr. Das erste Geschäftsjahr der Emittentin endete am 31. Dezember 2008.

Abschlussprüfer

Der unabhängige Wirtschaftsprüfer der Emittentin ist PricewaterhouseCoopers C.I. LLP mit Sitz in 22 Colomberie, St. Helier, Jersey JE1 4XA, Kanalinseln. Alle Partner von PricewaterhouseCoopers C.I. LLP sind Mitglieder des Institute of Chartered Accountancy (England & Wales) (*Institut der amtlich zugelassenen Buchhalter von England und Wales*).

Eine Kopie des geprüften Jahresabschlusses der Emittentin ist am eingetragenen Firmensitz der Emittentin unter 22 Grenville Street, St. Helier, Jersey JE4 8PX, Kanalinseln erhältlich.

Prüfung der historischen jährlichen Finanzinformationen

Der Jahresabschluss für das am 31. Dezember 2008 endende Geschäftsjahre ist von PricewaterhouseCoopers C.I. LLP geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen worden.

Gerichts- und Schiedsgerichtsverfahren

Die Emittentin ist und war in den letzten zwölf Monaten in keine staatlichen Interventionen, Rechtsstreitigkeiten oder Schiedsgerichtsverfahren (einschließlich derjenigen Verfahren, die nach Kenntnis der Emittentin noch anhängig sind oder eingeleitet werden könnten) involviert, die sich erheblich auf die Finanzlage oder die Rentabilität der Emittentin auswirken bzw. in jüngster Zeit ausgewirkt haben.

Wesentliche Veränderungen in der Finanzlage oder den Aussichten der Emittentin

Soweit nicht anderweitig in diesem Prospekt offengelegt, haben sich die Finanzlage oder Aussichten der Emittentin seit dem 31. Dezember 2008 (dem Datum ihres letzten veröffentlichten und geprüften Abschlusses) nicht wesentlich negativ verändert.

Wichtige Verträge

Die Emittentin hat keine wichtigen Verträge abgeschlossen, die eine wesentlich negative Auswirkung auf die finanzielle Situation der Emittentin haben.

Kapitaleinlagen am Ausgabebetrag

Gemäß des Gesellschaftsvertrages haben die Emittentin-Komplementärin und die Emittentin-Kommanditistin vereinbart, eine erste Kapitaleinlage (in Bezug auf jede dieser Parteien ihre Kapitaleinlage) an die Emittentin in den folgenden Beträgen zu leisten:

	EUR
Emittentin-Komplementärin.....	0,10
Emittentin-Kommanditistin.....	999,90

Falls die Emittentin-Kommanditistin nicht in die Geschäftsführung der Emittentin involviert ist außer unter den Umständen, die in dem Gesellschaftsvertrag festgehalten sind, wird die Haftung der Emittentin-Kommanditistin für alle Schulden oder Verpflichtungen der Emittentin auf ihre Kapitaleinlage und jede zusätzliche Kapitaleinlage beschränkt, die sie gemacht hat oder vereinbarungsgemäß der Emittentin leisten wird.

Kapitalisierung am Ausgabebetrag

Die nachstehende Tabelle zeigt die Kapitaleinlage der Emittentin am 30. Oktober 2009 und angepasst für den Vollzug der Transaktion:

	Kapitaleinlage
30. Oktober 2009	EUR 1.000
Ausgabebetrag.....	EUR 1.000

Ab dem Ausgabebetrag wird die Emittentin zusätzliche Verbindlichkeiten aufweisen, die sie mit den Capital Securities und in Höhe von deren Gesamtnennbetrag übernimmt.

Seit dem 31. Dezember 2008 gab es keine wesentlich negativen Veränderungen in Bezug auf die Kapitalisierung der Emittentin.

Ordentliche Emittentin-Verlegung

Die Gründungsdokumente der Emittentin und der Emittentin-Komplementärin sehen vor, dass sowohl die Emittentin als auch die Emittentin-Komplementärin beim Eintritt eines Emittentin-Verlegungsvorfalles ihre jeweiligen Hauptgeschäftssitze und steuerliche Gebietsansässigkeit für die Zwecke der deutschen Gewerbesteuer nach Deutschland verlegen können (eine solche Verlegung eine „**Ordentliche Emittentin-Verlegung**“).

Ein Emittentin-Verlegungsvorfall tritt ein, wenn die Emittentin-Komplementärin und die Treuhänder der wohltätigen Stiftung, die Anteilseigner der Emittentin-Komplementärin ist, am oder vor dem 30. September eines jeden Jahres eine schriftliche Aufforderung von der MünchenerHyp (oder einer ihrer Rechtsnachfolger) erhalten, eine solche Maßnahme zu ergreifen, die notwendig ist, um eine Ordentliche Emittentin-Verlegung mit Wirkung ab dem 1. Januar des darauffolgenden Jahres herbeizuführen. Die Empfänger dieser Aufforderung werden die Ordentliche Emittentin-Verlegung erst nach der Erfüllung der unter anderem nachfolgenden Bedingungen umsetzen: Sie haben (i) ein Rechtsgutachten von einem angesehenen deutschen Rechtsberater erhalten, das bestätigt, dass (a) eine Ordentliche Emittentin-Verlegung weder negativen Auswirkungen auf die rechtliche Existenz der Rechte und Ansprüche der Emissionsgläubiger gemäß den Emissionsbedingungen der Capital Securities noch auf die Rechte und Ansprüche der anderen Gläubiger der Emittentin, die dem deutschen Recht unterliegen, haben wird, (b) alle regulatorischen Zustimmungen eingeholt wurden, die in Deutschland erforderlich sind, um die Ordentliche Emittentin-Verlegung durchzuführen, und (ii) ausreichende Beweise dafür, dass die MünchenerHyp sich der Emittentin-Komplementärin und der Emittentin verpflichtet hat, sie von allen Zahlungen in Bezug auf die Kapitalertragsteuer oder irgendeine andere Abzugssteuer, zu deren Einbehalt oder Abzug von Zahlungen auf die Capital Securities die Emittentin verpflichtet sein kann (um es der Emittentin zu ermöglichen, diejenigen Zusätzlichen Beträge (wie in den Emissionsbedingungen definiert) an die Gläubiger der Capital Securities in Zusammenhang mit solchen Einbehalten oder Abzügen zu zahlen, die in den Emissionsbedingungen der Capital Securities vorgesehen sind), gegebenenfalls anfallender Vermögensteuer und jeder Gewerbebeertrag- oder anderen Steuer, welche die Emittentin oder die Emittentin-Komplementärin als Folge der Ordentlichen Emittentin-Verlegung zahlen müsste.

Zusammenfassung der Münchener Hypothekenbank eG

Geschäftsgeschichte und Geschäftsentwicklung

Juristischer und kommerzieller Name

Münchener Hypothekenbank eG.

Ort der Registrierung

München, Bundesrepublik Deutschland.

Registernummer

GnR 396, Genossenschaftsregister des Amtsgerichts München.

Datum der Gründung

9. Dezember 1896.

Sitz, Anschrift, Telefonnummer

Karl-Scharnagl-Ring 10, 80539 München, Bundesrepublik Deutschland, (Telefon:+49 (89) 5387-800).

Rechtsform, Rechtsordnung, Sicherungseinrichtung

Die MünchenerHyp ist eine nach deutschem Recht gegründete eingetragene Genossenschaft und ist berechtigt, Geschäfte gemäß dem Pfandbriefgesetz und dem Gesetz über das Kreditwesen zu betreiben. Die MünchenerHyp unterliegt der umfassenden Aufsicht durch die Deutsche Bundesbank und die Bundesanstalt für Finanzdienstleistungsaufsicht.

Die MünchenerHyp ist Mitglied der Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V. (die „**Sicherungseinrichtung**“). Die Sicherungseinrichtung ist von entscheidender Bedeutung für die angeschlossenen genossenschaftlichen Banken, denn sie stellt maßgeblich deren Bonität sicher. Die Sicherungseinrichtung hat die Aufgabe, drohende oder bestehende wirtschaftliche Schwierigkeiten bei den angeschlossenen genossenschaftlichen Banken abzuwenden oder zu beheben (Institutsschutz). Laut Statut der Sicherungseinrichtung sind alle Einlagen und nicht nachrangigen Schuldverschreibungen, die von Nichtbanken-Kunden der angeschlossenen genossenschaftlichen Banken gehalten werden, ohne jegliche betragsliche Begrenzung geschützt.

Die von der Isar Capital Funding I Limited Partnership, St. Helier, Jersey, Kanalinseln, begebenen Capital Securities, die sich auf die stille Einlage bei der MünchenerHyp gemäß dem am oder um den 24. November 2009 zu schließenden Vertrag über die Errichtung einer stillen Gesellschaft (*Participation Agreement*) beziehen, sind nicht von der Sicherungseinrichtung geschützt.

Angaben zur Liquidität

Neben Instrumenten der internen Steuerung wird das kurzfristige Liquiditätsrisiko der MünchenerHyp durch aufsichtsrechtliche Vorschriften begrenzt. Die Liquiditätsverordnung schreibt der MünchenerHyp vor, eine Liquiditätskennzahl von 1 im Laufzeitband I einzuhalten. Im Geschäftsjahr 2008 hat die MünchenerHyp die Vorschriften der Liquiditätsverordnung jederzeit eingehalten.

31. Dezember 2008: 2,65 (31. Dezember 2007: 1,22)

Geschäftsüberblick

Haupttätigkeitsbereiche

Gemäß ihrer Satzung ist der Zweck der MünchenerHyp die wirtschaftliche Förderung und Betreuung der Mitglieder. Gegenstand des Unternehmens ist die Durchführung aller nach dem Pfandbriefgesetz und dem Gesetz über das Kreditwesen zulässigen Geschäfte. Die Ausdehnung des Geschäfts auf Nichtmitglieder ist zugelassen. Die MünchenerHyp kann Zweigniederlassungen errichten und sich an Unternehmen beteiligen.

Zur Erfüllung dieser Aufgabe können Hypothekendarlehen, Öffentliche Pfandbriefe und ungedeckte Schuldverschreibungen ausgegeben sowie Darlehen aufgenommen werden.

Wichtigste Märkte

Die MünchenerHyp ist schwerpunktmäßig auf den deutschen Markt fokussiert. In den ersten neun Monaten des Geschäftsjahrs 2009 wurden ca. 58 % des Hypothekenneugeschäftes in der Bundesrepublik Deutschland generiert.

Privatkundengeschäft

11 Regionalbüros mit Fachleuten stehen in der Bundesrepublik Deutschland für die laufenden Geschäftsbeziehungen zu den Volksbanken und Raiffeisenbanken bereit. Das wohnwirtschaftliche Privatkundengeschäft betreibt die MünchenerHyp über den genossenschaftlichen FinanzVerbund mit den Volksbanken und Raiffeisenbanken und ihre Regionalbüros, die Ansprechpartner für

die regionalen Banken innerhalb des genossenschaftlichen Finanzverbunds sind.

Gewerbliches Kreditgeschäft

Das nationale und das internationale gewerbliche Kreditgeschäft der MünchenerHyp werden zentral von München aus gesteuert. In der Bundesrepublik Deutschland hat die MünchenerHyp drei Verkaufsbüros: in Frankfurt am Main, Hamburg und Berlin. International unterstützen die MünchenerHyp Kooperationspartner in London, New York, Paris, Madrid und Wien.

Organisationsstruktur

Tochtergesellschaften

Zur MünchenerHyp gehören fünf Tochtergesellschaften:

die M-Wert GmbH, die Immobilienservice GmbH der Münchener Hypothekenbank eG („**M-Service-GmbH**“), die Nußbaumstraße GmbH & Co. KG, die CM Komplementär 07-868 GmbH & Co. KG und die Blitz 07-671 GmbH.

Das Kapital dieser Gesellschaften steht im vollständigen Eigentum der MünchenerHyp.

Kerngeschäft der M-Wert GmbH ist die Erstellung von Markt- und Verkehrswertgutachten und die Ermittlung von Beleihungswerten nach § 16 Pfandbriefgesetz.

Die M-Service-GmbH unterstützt das Workout-Management und das Immobilienmanagement der MünchenerHyp.

Aufgrund der untergeordneten Bedeutung der Tochtergesellschaften für die Vermögens-, Finanz- und Ertragslage hat die Bank gemäß § 296 Absatz (2) Handelsgesetzbuch auf die Aufstellung eines Konzernabschlusses verzichtet.

Trend Informationen

Erklärung bezüglich „Keine wesentlichen negativen Veränderungen“

Es gibt keine wesentlichen negativen Veränderungen in den Aussichten der MünchenerHyp seit dem 31. Dezember 2008 (Datum des zuletzt veröffentlichten geprüften Jahresabschlusses).

Management und Aufsichtsorgane

Management und Aufsichtsorgane

Die Organe der MünchenerHyp sind der Vorstand, der Aufsichtsrat und die Generalversammlung / Vertreterversammlung.

Vorstand

Der Vorstand setzt sich gegenwärtig aus fünf Personen zusammen.

Vorsitzender des Vorstands ist Herr Erich Rödel. Die weiteren Mitglieder des Vorstands sind Dr. Louis Hagen, Bernhard Heinlein, Dr. Bernhard Scholz und Klaus Sturm.

Aufsichtsrat

Der Aufsichtsrat besteht mindestens aus sieben Mitgliedern, die von der Generalversammlung gewählt werden.

Vorsitzender des Aufsichtsrats ist Herr Prof. Dr. Willibald J. Folz, Rechtsanwalt. Die weiteren Mitglieder des Aufsichtsrats sind S.K.H. Herzog Max in Bayern, Michael Glos, Konrad Irtel, Michael Jung, Wilfried Mocken, Hans Pfeifer und Hans-Joachim Tonnellier.

Adresse des Vorstands und des Aufsichtsrats

Münchener Hypothekenbank eG, Karl-Scharnagl-Ring 10, 80539 München, Bundesrepublik Deutschland.

Generalversammlung

Die ordentliche Generalversammlung wird durch den Vorsitzenden des Aufsichtsrates oder den Vorstand innerhalb der ersten sechs Monate des Jahres berufen. Dem Vorstand sowie dem Vorsitzenden des Aufsichtsrates bleibt vorbehalten, aus wichtigen Anlässen außerordentliche Generalversammlungen zu berufen.

Interessenkonflikte

Es bestehen keine potentiellen Interessenkonflikte zwischen den Verpflichtungen der Mitglieder des Vorstands und des Aufsichtsrats gegenüber der MünchenerHyp sowie ihren privaten Interessen oder sonstigen Verpflichtungen.

Bedeutende Anteilseigner

Ca. 38 % des Geschäftsguthabens in Höhe von ca. EUR 146 Mio der MünchenerHyp werden durch Primärbanken sowie genossenschaftliche Zentralbanken und ca. 62 % durch Kunden und andere Mitglieder gehalten.

Kein Anteilseigner hält mehr als 0,96 % der Geschäftsanteile an der MünchenerHyp.

Finanzinformation über die Vermögens-, Finanz- und Ertragslage der MünchenerHyp

Historische Finanzinformationen

Überblick

Die nachfolgende Übersicht stellt in zusammengefasster Form die Bilanz der MünchenerHyp dar, die dem jeweils geprüften Jahresabschluss der MünchenerHyp für die am 31. Dezember endenden Geschäftsjahre 2008 und 2007 entnommen wurde:

MünchenerHyp

Aktiva			Passiva		
in EUR Mio	2008	2007	in EUR Mio	2008	2007
Forderungen an Kreditinstitute	5.218,5	4.461,4	Verbindlichkeiten ggü. Kreditinstituten	4.210,8	3.348,2
Forderungen an Kunden	22.284,1	20.571,1	Verbindlichkeiten ggü. Kunden	9.114,9	8.086,0
Schuldverschreibungen und andere festverzinsliche Wertpapiere	7.905,0	7.124,0	Verbriefte Verbindlichkeiten	21.829,6	20.559,1
Sonstige Aktiva	726,8	776,8	Nachrangige Verbindlichkeiten	116,3	66,3
			Genussrechtskapital	57,3	57,3
			Sonstige Passiva	131,7	164,9
			Eigenkapital	673,8	651,5
Bilanzsumme	36.134,4	32.933,3	Bilanzsumme	36.134,4	32.933,3

Die nachfolgenden Finanzzahlen wurden dem jeweils geprüften Jahresabschluss der MünchenerHyp für die am 31. Dezember endenden Geschäftsjahre 2008 und 2007 entnommen:

in EUR Mio	2008	2007	Veränderung
Zinserträge	1.619,4	1.549,7	69,7
Zinsaufwendungen	1.504,5	1.445,1	59,4
Laufende Erträge	13,7	16,6	-2,9
Zinsüberschuss	128,6	121,2	7,4
Provisionsergebnis	-27,8	-21,2	-6,6
Zins- und Provisionsüberschuss	100,8	100,0	0,8
Nettoergebnis aus Finanzgeschäften	-0,7	0,0	-0,7
Allgemeine Verwaltungsaufwendungen			
a) Personalaufwendungen	30,1	27,3	2,8
b) andere Verwaltungsaufwendungen	19,7	19,1	0,6
Abschreibungen und Wertberichtigungen auf immaterielle Anlagewerte und Sachanlagen	3,2	3,4	-0,2
Verwaltungsaufwand	53,0	49,8	3,2
Saldo der sonstigen betrieblichen Erträge / Aufwendungen	7,6	-1,2	8,8
Risikovorsorge	-29,7	-26,7	-3,0
Bewertungsergebnis Finanzanlagen	0,5	9,3	-8,8
Betriebsergebnis	25,5	31,6	-6,1

Kapitalisierung der MünchenerHyp

Die nachfolgende Übersicht weist (i) die den ungeprüften Geschäftszahlen zum 30. September 2008 entnommene jeweils ungeprüfte Kapitalisierung der MünchenerHyp zum 30. September 2009 und 2008 sowie (ii) die aus dem jeweils geprüften Jahresabschluss für die am 31. Dezember endenden Geschäftsjahre 2008 und 2007 entnommene Kapitalisierung der MünchenerHyp aus:

in EUR Mio	30. Sept. 2009 (ungeprüft)	30. Sept. 2008 (ungeprüft)	31. Dez. 2008 (geprüft)	31. Dez. 2007 (geprüft)
Verbindlichkeiten gegenüber Kreditinstituten	5.744	4.320	4.211	3.348

in EUR Mio	30. Sept. 2009 (ungeprüft)	30. Sept. 2008 (ungeprüft)	31. Dez. 2008 (geprüft)	31. Dez. 2007 (geprüft)
begebene Hypotheken-Namenspfandbriefe	669	708	625	715
begebene öffentliche Namenspfandbriefe	200	250	217	258
andere Verbindlichkeiten	4.875	3.362	3.369	2.375
Verbindlichkeiten gegenüber Kunden	9.261	8.927	9.115	8.086
begebene Hypotheken-Namenspfandbriefe	3.770	3.608	3.690	3.012
begebene öffentliche Namenspfandbriefe	4.451	4.332	4.466	4.343
andere Verbindlichkeiten	1.040	987	959	731
Verbriefte Verbindlichkeiten	19.218	20.288	21.830	20.559
begebene Hypothekenspfandbriefe	8.921	8.062	8.167	7.144
begebene Öffentliche Pfandbriefe	6.524	8.599	8.701	9.083
Begebene sonstige Schuldverschreibungen	3.665	3.598	4.833	4.332
Geldmarktpapiere	108	29	129	0
Rechnungsabgrenzungsposten	20	26	23	26
Nachrangige Verbindlichkeiten	138	116	116	66
Genussrechtskapital	21	57	57	57
Eigenkapital (nach Rücklagendotierung)	657	648	665	643
gezeichnetes Kapital	381	375	389	370
a) Geschäftsguthaben	146	137	144	127
b) stille Beteiligungen	235	238	245	243
Ergebnisrücklagen	276	273	276	273
a) gesetzliche Rücklage	275	272	275	272
b) andere Ergebnisrücklagen	1	1	1	1
Jahresüberschuss *)	8	8	10	12
Andere Verbindlichkeiten (einschließlich Rückstellungen und Treuhandverbindlichkeiten)	204	215	107	136
Gesamtverbindlichkeiten, Eigenkapital	35.271	34.605	36.134	32.933
Eventualverbindlichkeiten	99	57	107	56
Unwiderrufliche Kreditzusagen	1.181	1.954	2.100	1.314

*) Der Jahresüberschuss abzüglich der Rücklagendotierung ergibt den Bilanzgewinn.

Abschlussprüfer

Abschlussprüfer der MünchenerHyp für die Geschäftsjahre 2008 und 2007 war der DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V., Pariser Platz 3, 10117 Berlin, Bundesrepublik Deutschland.

Der Abschlussprüfer ist ein außerordentliches Mitglied des Instituts der Wirtschaftsprüfer in Deutschland e.V.

Prüfung der historischen jährlichen Finanzinformationen

Die Jahresabschlüsse und Lageberichte für die am 31. Dezember 2008 und 2007 endenden Geschäftsjahre sind vom DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen worden.

Gerichts- und Schiedsgerichtsverfahren

Es gibt keine staatlichen Interventionen, Gerichts- oder Schiedsgerichtsverfahren (einschließlich derjenigen Verfahren, die nach Kenntnis der Bank noch anhängig sind oder eingeleitet werden könnten), die im Zeitraum der mindestens letzten 12 Monate bestanden/abgeschlossen wurden und die sich erheblich auf die Finanzlage oder die Rentabilität der MünchenerHyp auswirken bzw. in jüngster Zeit ausgewirkt haben.

Erklärung bezüglich „Keine wesentlichen Veränderungen in der Finanzlage oder Handelsposition der Bank“

Es gibt keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der MünchenerHyp seit dem 30. Juni 2009 (Datum des ungeprüften Halbjahresfinanzberichts 2009).

Zusammenfassung der Risikofaktoren

In dem folgenden Abschnitt sollen lediglich bestimmte Aspekte des Geschäfts der MünchenerHyp, der Capital Securities und der Emittentin dargestellt werden, die potentielle Anleger beachten sollten. Diese Zusammenfassung erhebt keinen Anspruch auf Vollständigkeit. Potentielle Anleger sollten die folgende Zusammenfassung in Verbindung mit den übrigen Angaben in diesem Prospekt sorgfältig durchlesen.

Eine Anlage in den Capital Securities ist nur für Anleger geeignet, die Erfahrung in Finanzgeschäften aufweisen, die in der Lage sind, die Risiken aus einer solchen Anlage vollumfänglich einzuschätzen, und die über ausreichende Finanzmittel verfügen, um daraus entstehende Verluste tragen zu können. Diese Risiken beziehen sich unter anderem auf Folgendes:

Zusammenfassung der mit dem Geschäft der MünchenerHyp verbundenen Risiken

Es werden keine Gewinnbeteiligungen gemäß dem Beteiligungsvertrag und folglich keine Zinszahlungen in Bezug auf die Capital Securities erfolgen, wenn die MünchenerHyp einen Bilanzverlust verbucht. Es kann nicht zugesichert werden, dass die MünchenerHyp in künftigen Geschäftsjahren einen Bilanzgewinn erzielt und somit in der Lage ist, Zahlungen gemäß dem Beteiligungsvertrag zu leisten.

Die MünchenerHyp unterliegt im Rahmen ihrer Geschäftstätigkeit verschiedenen Risiken. Dazu zählen insbesondere folgende Risikoarten:

Adressenausfallrisiko

Das Adressenausfallrisiko – auch Kreditrisiko genannt – ist für die MünchenerHyp die Risikoart mit der größten Signifikanz. Durch das Adressenausfallrisiko wird die Gefahr beschrieben, dass Kontrahenten oder Gruppen von Kontrahenten Zahlungsverpflichtungen gegenüber dem Gläubiger verzögern, nur teilweise oder gar nicht nachkommen.

Marktpreisrisiken

Marktpreisrisiken umfassen die Risiken für den Wert von Positionen oder Portfolien durch die Veränderung von Marktparametern, unter anderem Zinsen und Wechselkurse. Sie werden unter Einsatz des Barwertmodells als potentieller Barwertverlust quantifiziert. Unterschieden wird dabei zwischen Zinsänderungs-, Options- und Währungsrisiken. Zu den Marktpreisrisiken zählt auch das sogenannte (Credit-) Spreadrisiko.

Liquiditätsrisiken

Unter Liquiditätsrisiken werden Gefährdungen der Gewinne und des Kapitals der Bank zusammengefasst, die bei einer potentiellen Zahlungsunfähigkeit eintreten können.

Operationelle Risiken

Operationelle Risiken sind mögliche Verluste, die durch menschliches Fehlverhalten, Prozess- oder Projektmanagementschwächen, technisches Versagen oder durch negative externe Einflüsse hervorgerufen werden. Darunter fallen auch Rechtsrisiken und sonstige allgemeine Risiken. Dem menschlichen Fehlverhalten werden auch gesetzeswidrige Handlungen, unangemessene Verkaufspraktiken, unautorisierte Handlungen und Transaktionsfehler zugerechnet.

Das Risiko bezüglich der Fähigkeit der MünchenerHyp, Zahlungen gemäß dem Beteiligungsvertrag und dem Darlehensvertrag zu leisten, ist unter Bezugnahme auf die Ratings der MünchenerHyp beschrieben.¹

Seit August 2008 wird der Ausblick bei allen Ratings der MünchenerHyp mit "Stabil" angegeben. Angesichts der aktuellen Marktlage kann jedoch nicht ausgeschlossen werden, dass sich diese Ratings in der näheren Zukunft ändert. Die jüngsten Überprüfungen von Ratings durch Moody's mit Bezug auf Banken und andere Finanzinstitute zeigen eine Tendenz, Banken und Finanzinstitute restriktiver zu bewerten. Deshalb kann die MünchenerHyp nicht ausschließen, dass Moody's bei einer Überprüfung ihrer aktuellen Ratings der MünchenerHyp den Ausblick bei allen Ratings der MünchenerHyp mit Ausnahme derjenigen für Pfandbriefe und öffentliche Pfandbriefe in "Negativ" ändert.

Zudem können die Ratings der MünchenerHyp von der jeweiligen Rating-Agentur jederzeit ausgesetzt, herabgesetzt oder zurückgenommen werden. Die Aussetzung, Herabsetzung oder Rücknahme von Ratings, die der MünchenerHyp erteilt wurden, kann den Marktwert der Capital Securities beeinträchtigen. Eine positive Veränderung der Ratings der MünchenerHyp wird den Marktwert der Capital Securities jedoch nicht unbedingt beeinflussen.

Außerdem kann die Aussetzung, Herabsetzung oder Rücknahme von Ratings, die der MünchenerHyp erteilt wurden, die Bedingungen für ihre Refinanzierungsgeschäfte negativ beeinflussen. In der Folge könnten die Geldbeschaffungskosten der

¹ Ein Rating stellt nicht eine Empfehlung zum Kauf, Verkauf oder Halten der Capital Securities dar. Die aktuellen Ratings der MünchenerHyp sind auf der Website der MünchenerHyp (www.muenchenerhyp.de) abrufbar.

MünchenerHyp steigen, was sich abträglich auf ihre Ertragslage und Marktposition auswirken könnte.

Die MünchenerHyp unterliegt in Deutschland bestimmten Vorschriften zur Eigenkapitalausstattung. Es kann nicht gewährleistet werden, dass die MünchenerHyp aufgrund nicht ausreichenden Eigenkapitals keine Einschränkung in ihrer Fähigkeit erlebt, ihr Geschäft zu führen oder auszuweiten. Hält die MünchenerHyp kein ausreichendes Eigenkapital, so hätte dies erhebliche negative Auswirkungen auf ihre Geschäfts-, Ertrags- oder Finanzlage und könnte zu einem Bilanzverlust führen.

Die Krise auf den Finanzmärkten, die 2007 durch die Hypothekenkrise in den Vereinigten Staaten von Amerika ausgelöst wurde und 2008 eskalierte, hat in den Bilanzen vieler Banken zu immensen Abschreibungen von Vermögenswerten sowie zu einer erheblichen Ausweitung der Risikoaufschläge an den Kapitalmärkten geführt, was wiederum die Kosten für die Refinanzierung bestimmter Banken erhöht hat. Aufgrund dieser gestiegenen Kosten und erheblichen Abschreibungen gerieten einige Marktteilnehmer in wirtschaftliche Schwierigkeiten und konnten die Insolvenz nicht abwenden, was einen beträchtlichen Vertrauensverlust zwischen den Banken auf den Kreditmärkten zur Folge hatte und dazu führte, dass die Kreditvergabe zwischen den Banken nahezu gänzlich versiegte. Als Konsequenz der Finanzmarktkrise könnte die Bank Schwierigkeiten haben, sich zu refinanzieren oder Refinanzierungen nur zu erhöhten Zinssätzen erhalten. Des Weiteren muss die Bank mit einem höheren Adressenausfallrisiko rechnen. Die Unfähigkeit der Bank, sich zu refinanzieren, könnte wesentliche nachteilige Auswirkungen auf ihre Liquiditätslage haben.

Um die Stabilisierung der Finanzmärkte, die Bereitstellung von Liquidität und die Wiederherstellung des Vertrauens unter den Finanzmarktteilnehmern zu erreichen und somit eine weitere Verschärfung der Finanzkrise zu verhindern, hat der deutsche Gesetzgeber am 18. Oktober 2008 das Finanzmarktstabilisierungsgesetz („**FMStG**“), geändert mit Wirkung zum 9. April 2009 und 1. August 2009, verabschiedet, das den Finanzmarktstabilisierungsfonds (der „**Fonds**“) errichtet und ein Paket von Stabilisierungsmaßnahmen schafft. Die Unternehmen des Finanzsektors, die Stabilisierungsmaßnahmen gemäß dem FMStG in Anspruch nehmen, unterliegen besonderen Bestimmungen.

Obwohl durch das FMStG eine Stabilisierung der Finanzmärkte angestrebt wird, gibt es keine Garantie dafür, dass selbige auch erreicht wird.

Zusammenfassung der mit einer Anlage in den Capital Securities verbundenen Risiken

Eine Anlage in den Capital Securities birgt bestimmte, mit den Eigenschaften der Capital Securities und des zugrundeliegenden Beteiligungsvertrags verbundene Risiken. Diese könnten für den Anleger zu beträchtlichen Verlusten führen, weil (i) Zinszahlungen nicht oder in geringerem Umfang erfolgen oder (ii) der Rückzahlungsbetrag nicht oder nur in geringerer Höhe gezahlt wird oder (iii) der Verkauf der Capital Securities nicht oder nur zu einem geringeren Preis möglich ist. Diese Risiken ergeben sich aus folgenden Gründen:

Die Zahlungsverpflichtungen der Emittentin unter den Capital Securities hängen davon ab, dass die erforderlichen, von der MünchenerHyp nach dem Beteiligungsvertrag und von der Darlehensgeberin nach dem Darlehensvertrag zu zahlenden Beträge in voller Höhe eingehen. In dem Umfang, in dem die Emittentin diese Beträge nicht erhält, besteht keine Verpflichtung, Zahlungen auf die Capital Securities zu leisten.

Gewinnbeteiligungszahlungen gemäß dem Beteiligungsvertrag und Zinszahlungen auf die Capital Securities sind bedingt und nicht kumulativ. Zinszahlungen auf die Capital Securities werden nur geleistet, sofern und in dem Umfang, in dem Gewinnbeteiligungszahlungen in Bezug auf eine Gewinnperiode anfallen und von der Emittentin tatsächlich vereinnahmt werden. Gewinnbeteiligungszahlungen und Zinszahlungen in Folgejahren werden nicht erhöht, um verringerte Gewinnbeteiligungszahlungen und Zinszahlungen in Vorjahren auszugleichen.

Zinszahlungen sind von den Bilanzgewinnen der MünchenerHyp abhängig. Sie sind für eine Gewinnperiode nicht zahlbar, wenn und soweit sie in dem Geschäftsjahr der Bank, auf das sich die betreffende Gewinnperiode bezieht, in dem gemäß den deutschen handelsrechtlichen Rechnungslegungsvorschriften erstellten Einzelabschluss der Bank zu einem Bilanzverlust führen oder einen solchen Bilanzverlust erhöhen würden. Gleiches gilt, wenn die Gesamtkennziffer der Bank unter eine bestimmte Grenze fällt und/oder bestimmte andere Umstände vorliegen. Der Beteiligungsvertrag sieht außerdem vor, dass für eine Gewinnperiode keine Gewinnbeteiligungszahlung anfällt oder von der MünchenerHyp zu zahlen ist, wenn der Buchwert der Stillen Einlage aufgrund eines Bilanzverlusts der MünchenerHyp unter ihrem Einlagenennbetrag liegt. Zinszahlungen in Folgejahren werden nicht erhöht, um verringerte Zinszahlungen in Vorjahren auszugleichen.

Die Bank hat die rechtliche Möglichkeit, ihre Fähigkeit Gewinnbeteiligungszahlungen an die Emittentin zu leisten zu beeinflussen, da ihre Geschäftsleitung weites Ermessen hat, Rücklagen und Rückstellungen nach HGB zu bilden, die einen etwaigen Jahresüberschuss reduzieren, der wiederum Grundlage für die Berechnung eines Bilanzgewinns und damit des Anfalls von Gewinnbeteiligungszahlungen ist.

Darüber hinaus, kann die BaFin nach deutschem Recht Zinszahlungen auf stille Beteiligungen, die als Kernkapital auf Institutsebene qualifizieren (wie die Mittel, die der MünchenerHyp unter dem Beteiligungsvertrag zufließen) verbieten oder beschränken, soweit solche Zahlungen nicht durch einen aktuellen Jahresüberschuss gedeckt sind.

Die Capital Securities haben zudem keine vorgesehene Endfälligkeit. Deshalb sollten die Emissionsgläubiger beachten, dass sie die finanziellen Risiken aus einer Anlage in die Capital Securities unter Umständen für eine unbestimmte Dauer tragen. Gemäß ihren Bedingungen können die Capital Securities nur von der Emittentin, nicht jedoch von den Emissionsgläubigern gekündigt werden.

Neben dem Recht der Emittentin, die Capital Securities gemäß ihren Bedingungen zu kündigen, besteht nach deutschem Recht gegebenenfalls ein Kündigungsrecht aus wichtigem Grund, das nicht ausgeschlossen werden kann.

Ferner ist kein Laufzeitende der stillen Einlage vorgesehen. Ihre Bedingungen sehen lediglich ein Kündigungsrecht der Bank und nicht der Emittentin vor. Abgesehen von bestimmten steuerlichen oder aufsichtsrechtlichen Gründen, wie in diesem Prospekt beschrieben, bestimmt der Beteiligungsvertrag, dass eine ordentliche Kündigung nicht vor dem 31. Dezember 2014 wirksam werden kann. Abgesehen von dem Fall, dass die Stille Einlage nicht mehr länger aus aufsichtsrechtlicher Sicht als Eigenkapital qualifiziert ist und die Bank den Beteiligungsvertrag mit sofortiger Wirkung kündigen kann, bestimmt der Beteiligungsvertrag, dass eine Kündigung nur mit vorheriger aufsichtsrechtlicher Zustimmung wirksam wird, vorausgesetzt, der Buchwert der Stillen Einlage ist zum Zeitpunkt der Kündigungserklärung nicht herabgesetzt. Darüber hinaus steht eine Kündigung des Beteiligungsvertrags im alleinigen Ermessen der Bank.

Der Rückzahlungsbetrag der Capital Securities hängt vom handelsrechtlichen Buchwert der Stillen Einlage ab, so wie dieser in der Bilanz der Bank für das Geschäftsjahr der Bank, in das der Beendigungstag in Bezug auf die stille Gesellschaft fällt, festgestellt wurde. Wurde der Buchwert der stillen Einlage aufgrund eines Bilanzverlustes der Bank in dem Geschäftsjahr der Bank, zu dessen Ende der Beteiligungsvertrag beendet wird, herabgesetzt und falls die BaFin in diesem Fall der Rückzahlung der Stillen Einlage zustimmt, verringert sich der Rückzahlungsbetrag in entsprechendem Umfang.

Die Verpflichtungen der Emittentin gemäß den Emissionsbedingungen der Capital Securities sind (soweit sie nicht über den Sicherungsabtretungsvertrag besichert sind) unbesicherte Verbindlichkeiten der Emittentin.

Ansprüche aus dem Beteiligungsvertrag sind im Fall einer Insolvenz oder Liquidation der Bank nachrangig. Deshalb gehen bei einer Insolvenz oder Liquidation der MünchenerHyp die Rechte der Emittentin als stiller Gesellschafterin gemäß dem Beteiligungsvertrag im Rang allen nicht nachrangigen und nachrangigen Gläubigern der MünchenerHyp nach. In dem Umfang, in dem die Emittentin keine Zahlungen aus dem Beteiligungsvertrag erhält, besteht keine Verpflichtung der Emittentin, Zahlungen auf die Capital Securities zu leisten.

Das Aktiengesetz sieht bestimmte Beschränkungen für Zahlungen vor, die im Rahmen sogenannter Teilgewinnabführungsverträge geleistet werden können. Der Beteiligungsvertrag ist ein Teilgewinnabführungsvertrag. Es kann nicht vollständig ausgeschlossen werden, dass diese Bestimmungen entsprechend auf eingetragene Genossenschaften, wie die MünchenerHyp, angewendet werden können.

Zudem kann die MünchenerHyp weitere Verbindlichkeiten eingehen und weitere Wertpapiere ausgeben.

Es kann nicht gewährleistet werden, dass die Bedingungen der mit dieser Transaktion verbundenen Vereinbarungen für die Emittentin genauso günstig sind wie diejenigen, die mit Parteien vereinbart werden könnten, die mit der MünchenerHyp nicht verbunden sind.

Es gab bisher keinen Markt für die Capital Securities und es kann nicht gewährleistet werden, dass sich ein aktiver Börsenhandel in den Capital Securities entwickeln wird. Zudem haben hybride Finanzinstrumente, wie die Capital Securities, ausgeprägte Preisfluktuationen im Zusammenhang mit der Finanzmarkt- und Bankenkrise erfahren.

Die Capital Securities, der Beteiligungsvertrag, der Darlehensvertrag und der Sicherungsabtretungsvertrag unterliegen deutschem Recht. Nach deutschem Recht kann das Kündigungsrecht aus wichtigem Grund für Dauerschuldverhältnisse nicht ausgeschlossen werden. Auch wenn die Umstände, unter denen ein solches Kündigungsrecht besteht, begrenzt sind, kann nicht gewährleistet werden, dass eine Partei einer der genannten Verträge ein solches Kündigungsrecht künftig nicht geltend macht.

Die Emittentin geht davon aus, dass die Capital Securities bei ihrer Ausgabe ein Rating von A2 durch Moody's Investors Service Inc. („**Moody's**“) erhalten¹. Eine Änderung des Rating der Capital Securities kann den Marktwert der Capital Securities beeinflussen. Potentielle Investoren sollten wissen, dass Moody's eine Änderung ihrer Methodologie angekündigt hat, die dazu führen könnte, dass das Rating der Capital Securities um mehrere Stufen bis zu niedrigem Investment Grade herabgesetzt wird (falls die Capital Securities emittiert werden, bevor die neue Methodologie angewendet wird) oder von Moody's ein wesentlich niedrigeres Rating erhält als das gegenwärtig erwartete Rating von A2 (falls die Capital Securities emittiert werden, nachdem die neue Methodologie eingeführt wurde). Es ist auch möglich, dass die Capital Securities und andere von der MünchenerHyp begebene Eigenkapital-Wertpapiere aufgrund der Anwendung ihrer neuen Methodologie zum Rating von Nachrangkapital von Banken unterschiedliche Ratings von Moody's erhalten und dass in einem solchen Fall die Capital Securities ein niedriges Rating erhalten könnten als diese anderen Eigenkapital-Wertpapiere.

Zusammenfassung der mit der Emittentin verbundenen Risiken

Die Emittentin ist eine Zweckgesellschaft, deren Zweck die Durchführung der in diesem Prospekt beschriebenen Transaktion, einschließlich der Ausgabe der Capital Securities, ist. Die Emittentin ist mit der MünchenerHyp nicht verbunden; ihre einzigen Vermögenswerte sind die Ansprüche aus dem Beteiligungsvertrag, dem Darlehensvertrag sowie dem Einzahlungsvertrag. Erhält die Emittentin aus diesen Ansprüchen keine Gelder, wird sie nicht in der Lage sein, ihre Verpflichtungen aus den Capital Securities zu erfüllen. In diesem Fall haben die Emissionsgläubiger keine Ansprüche oder sonstigen Rückgriffsmöglichkeiten gegenüber der MünchenerHyp. Daher können die Emissionsgläubiger dem Risiko ausgesetzt sein, keine Rendite auf ihr eingesetztes Kapital zu erhalten, oder im schlimmsten Fall ihr ursprünglich eingesetztes Kapital zu verlieren.

¹ Ein Rating stellt keine Empfehlung dar, die Capital Securities zu kaufen, verkaufen oder zu halten, und kann von der erteilenden Ratingagentur jederzeit suspendiert, herabgesetzt oder zurückgezogen werden. Eine Suspendierung, Herabsetzung oder Zurückziehung des Ratings in Bezug auf die Capital Securities kann den Marktpreis der Capital Securities nachteilig beeinflussen.

Zusammenfassung des Angebots

Im folgenden Überblick sind die wichtigsten Elemente des Angebots und der Transaktion beschrieben. Er ist naturgemäß unvollständig; wegen einer genaueren Beschreibung der angebotenen Capital Securities sollten Anleger unbedingt die gesamte Zusammenfassung und den vollständigen Text des Prospektes sorgfältig lesen.

Angebotene Wertpapiere	Capital Securities (siehe „Zusammenfassung der Bedingungen der Capital Securities“) in einem Gesamtnennbetrag, der von der Emittentin am oder um den 19. November 2009 bestimmt wird.
Emittentin	Die Isar Capital Funding I Limited Partnership, eine nach dem Recht von Jersey gegründete Kommanditgesellschaft (<i>limited partnership</i>). Die Emittentin wurde am 4. September 2008 gegründet und beim Jersey Registrar of Limited Partnerships unter der Registernummer LP1096 eingetragen.
Gesellschafter der Emittentin	Die Komplementärin der Emittentin (mit einer Beteiligung von 0,01 Prozent am Kapital der Emittentin) ist die Isar Capital Funding I Limited, eine nach dem Recht Jerseys errichtete Gesellschaft mit beschränkter Haftung (<i>limited liability company</i>) (die „ Emittentin-Komplementärin “). Die Alleingesellschafterin der Emittentin-Komplementärin ist die Maurant & Co. Trustees Limited als Treuhänderin des Isar Capital Funding I Charitable Trust. Die Kommanditistin der Emittentin (mit einer Beteiligung von 99,99 Prozent am Kapital der Emittentin) ist die Isar Funding I GmbH, München, Deutschland, eine nach deutschem Recht gegründete Gesellschaft mit beschränkter Haftung (die „ Emittentin-Kommanditistin “). Die alleinige wirtschaftliche Eigentümerin der Emittentin-Kommanditistin ist die Maurant & Co. Trustees Limited als Treuhänderin des Isar Funding I GmbH Charitable Trust.
Begrenzter Zweck der Emittentin	Außer dem Abschluss des Beteiligungsvertrags (siehe „Zusammenfassung der Bestimmungen des Beteiligungsvertrags“), dem Abschluss anderer Vereinbarungen im Zusammenhang mit der Transaktion und der Ausgabe der Capital Securities untersagt der Gesellschaftsvertrag der Emittentin die Schaffung zusätzlicher Verbindlichkeiten außer denjenigen, die für die Aufrechterhaltung ihres Geschäfts erforderlich sind.
Münchener Hypothekenbank	Die Münchener Hypothekenbank eG, München, Deutschland, eine im Genossenschaftsregister beim Amtsgericht München unter der Registernummer 396 eingetragene Genossenschaft („ MünchenerHyp “).
Beteiligung	Mit dem Erlös aus der Ausgabe der Capital Securities wird die Emittentin die Beteiligung gemäß dem Beteiligungsvertrag erwerben; siehe „Zusammenfassung der Bestimmungen des Beteiligungsvertrages“.
Darlehensvertrag	Nach dem Darlehensvertrag wird die MünchenerHyp Darlehensauszahlungen in Höhe der jeweils im Hinblick auf die Kapitalertragsteuer vorgenommenen Einbehalte von den Gewinnbeteiligungszahlungen und den Wiederauffüllungen der Stillen Einlage nach einer Herabsetzung an die Emittentin zahlen. Die Emittentin wird die Darlehensauszahlungen zur Finanzierung ihrer Verpflichtung zur Leistung von Zinszahlungen auf die Capital Securities und zur Zahlung zusätzlicher Barleistungen an die MünchenerHyp verwenden, die zum Ausgleich der einbehaltenen Steuer und zum Abschluss der Wiederauffüllung der Stillen Einlage nach einer Herabsetzung erforderlich sind. Siehe „Zusammenfassung der Bestimmungen des Darlehensvertrages“.
Sicherungsabtretungsvertrag	Nach dem Sicherungsabtretungsvertrag hat die Emittentin alle gegenwärtigen und zukünftigen Zahlungsansprüche aus dem Beteiligungsvertrag und dem Darlehensvertrag zugunsten der Emissionsgläubiger an den Sicherheitentreuhänder abgetreten. Siehe „Beschreibung der Bestimmungen des Sicherungsabtretungsvertrages“.
Einzahlungsvertrag	In dem Einzahlungsvertrag mit der Emittentin-Komplementärin hat sich die Emittentin-Kommanditistin verpflichtet, an die Emittentin sämtliche Beträge zu zahlen, die sie von den deutschen Finanzbehörden wegen ihrer Steuererstattungsansprüche erhält, sobald diese bei ihr eingehen.
Zahlstelle	BNP Paribas Securities Services, Niederlassung Frankfurt
Rating	Die Emittentin geht davon aus, dass die Capital Securities bei ihrer Ausgabe

ein Rating von A2 durch Moody's Investors Service, Inc. erhalten. Moody's Investors Service, Inc. hat jedoch im Juni 2009 eine Aufforderung zur Stellungnahme mit dem Titel "*Moody's Proposed Changes to Bank Subordinated Capital Ratings*" (Moody's Vorschläge zur Änderung der Ratings von Nachrangkapital von Banken) veröffentlicht, in der Moody's Investors Service, Inc. den Markt dazu aufgefordert hat, zu den potentiellen Änderungen seiner Rating Methodologie für Banken Stellung zu nehmen. Sollte Moody's Investors Service, Inc. die geänderte Methodologie wie vorgeschlagen einführen, könnte sich dies durch Herabsetzung der Ratings um mehrere Stufen bis zu niedrigem Investment Grade möglicherweise negativ auf die Ratings für hybride Wertpapiere wie die Capital Securities auswirken. Bei einem Rating handelt es sich nicht um eine Empfehlung zum Kauf, zum Verkauf oder zum Halten von Wertpapieren. Das Rating kann von Moody's Investors Service, Inc. jederzeit geändert, ausgesetzt oder zurückgezogen werden.

Sicherheitsentrehänder

BNP Paribas Trust Corporation UK Limited, London

Der Sicherheitsentrehänder ist gemäß dem Sicherungsabtretungsvertrag zugunsten der Emissionsgläubiger eingesetzt. Siehe "Sicherungsabtretungsvertrag" sowie den Abschnitt "*Description of the Fiduciary Assignment Agreement*" (Beschreibung der Bestimmungen des Sicherungsabtretungsvertrages).

Börsennotierung und Zulassung zum Handel

Die amtliche Notierung der Capital Notes an der Luxemburger Wertpapierbörse sowie deren Zulassung zum Handel am regulierten Markt der Luxemburger Wertpapierbörse wurde beantragt. Die amtliche Notierung der Capital Securities an der Luxemburger Wertpapierbörse und deren Zulassung zum Handel am regulierten Markt (wie in der Richtlinie 2004/39/EG des Europäischen Parlaments und des Rates vom 21. April 2004 über Märkte für Finanzinstrumente definiert) "Bourse de Luxembourg" der Luxemburger Wertpapierbörse wurde bei der Luxemburger Wertpapierbörse (*Bourse de Luxembourg*) beantragt. Es ist außerdem beabsichtigt, die amtliche Notierung der Capital Securities an der Börse München und die Zulassung der Capital Securities zum regulierten Markt der Börse München zu beantragen.

Kennnummern

ISIN: DE000A1APTA4

WKN: A1APTA

Informationen über die abschließende Preisfestsetzung

Der abschließende Gesamtnennbetrag, die Anzahl und der Zinssatz der Capital Securities sowie der Einlagenennbetrag der Stillen Einlage und der Zinssatz, zu dem Ausschüttungen auf die Stille Einlage entstehen können, werden voraussichtlich am oder um den 19. November 2009 durch ein Bookbuilding-Verfahren während der Bookbuilding-Periode, die am oder um den 9. November 2009 beginnt und am oder um den 18. November 2009 endet, festgelegt. Die Emittentin behält sich das Recht vor, nach Maßgabe der anwendbaren Bestimmungen den Angebotszeitraum zu verlängern oder zu verkürzen oder keine Capital Securities zu begeben. Die Ergebnisse des Bookbuilding-Verfahrens werden von der Emittentin gemäß Artikel 8 Absatz 1 in Verbindung mit Artikel 14 Absatz 2 der Prospekt-Richtlinie und Artikel 16 des Luxemburgischen Gesetzes über Wertpapierprospekte vom 10. Juli 2005 (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) am oder um den 20. November 2009 auf der Webseite der Luxemburgischen Börse (www.bourse.lu) veröffentlicht.

Zusammenfassung der Bedingungen der Capital Securities

Die folgende Zusammenfassung bezieht sich auf bestimmte Bedingungen der Capital Securities. Sie erhebt keinen Anspruch auf Vollständigkeit und unterliegt und beruht in ihrer Gesamtheit auf den Emissionsbedingungen der Capital Securities, die unter „Terms and Conditions of the Capital Securities“ (Emissionsbedingungen der Capital Securities) nachgelesen werden können. Die folgende Beschreibung basiert auf den Gegebenheiten am Ausgabetag der Capital Securities.

Emittentin	Die Isar Capital Funding I Limited Partnership, eine nach dem Recht Jerseys gegründete Kommanditgesellschaft (<i>limited partnership</i>). Die Emittentin wurde am 4. September 2008 gegründet und beim Jersey Registrar of Limited Partnerships unter der Registernummer LP1096 eingetragen.
Nennbetrag	EUR 1.000 pro Capital Security.
Gesamtnennbetrag	Der Gesamtnennbetrag der Capital Securities wird von der Emittentin am oder um den 19. November 2009 bestimmt.
Ausgabepreis	100 Prozent des Nennbetrages.
Form	Die Capital Securities werden durch eine auf den Inhaber lautende Globalschuldverschreibung ohne Zinsscheine (die Globalurkunde) verbrieft. Wirtschaftliche Rechte an der Globalurkunde werden nur unter bestimmten Umständen (wie unter „Terms and Conditions of the Capital Securities“ (Emissionsbedingungen der Capital Securities) beschrieben) in jeweils auf den Inhaber lautende, effektive Capital Securities umtauschbar sein.
Ausgabetag	Der Ausgabetag wird voraussichtlich am oder um den 26. November 2009 sein.
Status	<p>Die Capital Securities begründen unmittelbare, nicht nachrangige und (mit Ausnahme einer Sicherungsabtretung von Zahlungsansprüchen der Emittentin an einen zugunsten der Emissionsgläubiger handelnden Sicherheitentreuhänder) nicht besicherte bedingte Verbindlichkeiten der Emittentin und sind untereinander gleichrangig und mindestens gleichrangig mit allen anderen gegenwärtigen oder zukünftigen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin, soweit zwingendes Gesetzesrecht dem nicht entgegen steht.</p> <p>Zur Rangfolge der Ansprüche der Emittentin unter dem Beteiligungsvertrag siehe "Zusammenfassung der Bestimmungen des Beteiligungsvertrags – Rangfolge".</p>
Fälligkeit	Die Capital Securities sind Wertpapiere mit unbegrenzter Laufzeit, d.h. ohne feste Endfälligkeit. Die Emittentin kann die Capital Securities nur bei Eintritt bestimmter Ereignisse zurücknehmen (siehe „Rückzahlungstag und Rückzahlungsbetrag“ und „Vorzeitige Kündigung und Rückzahlung“).
Zinszahlungen	<p>Zinszahlungen erfolgen zu einem Festzinssatzes, der von der Emittentin am oder um den 19. November 2009 bestimmt wird und sind abhängig davon, dass die Emittentin von der MünchenerHyp die Gewinnbeteiligungszahlungen gemäß dem Beteiligungsvertrag (nach Abzug der Kapitalertragsteuer) (siehe „Zusammenfassung der Bestimmungen des Beteiligungsvertrages – Gewinnbeteiligungszahlungen und –tage“) und von der Darlehensgeberin die Darlehensauszahlungen nach dem Darlehensvertrag (siehe „Zusammenfassung der Bestimmungen des Darlehensvertrages – Darlehensauszahlungen“) erhält. Nach Maßgabe des Beteiligungsvertrages fallen Gewinnbeteiligungen auf die Stille Einlage für Gewinnzeiträume (die „Gewinnperioden“) an, die vom 1. Januar (einschließlich) bis zum 31. Dezember (einschließlich) jedes Jahres laufen. Die erste Gewinnperiode (die „Erste Gewinnperiode“) beginnt am Ausgabetag (einschließlich) und läuft bis zum 31. Dezember 2009 (einschließlich). Die letzte Gewinnperiode beginnt am 1. Januar des Jahres, in dem die Stille Gesellschafterin nicht mehr an den Gewinnen und Verlusten der MünchenerHyp beteiligt ist, und endet an dem Tag, an dem dies eintritt (der „Beendigungstag“) (jeweils einschließlich).</p> <p>Zinszahlungen auf die Capital Securities und Gewinnbeteiligungszahlungen gemäß dem Beteiligungsvertrag sind nicht kumulativ. Zinszahlungen auf die Capital Securities werden nur geleistet, sofern Gewinnbeteiligungszahlungen geleistet und von der Emittentin vereinnahmt werden. Gewinnbeteiligungszahlungen und Zinszahlungen in Folgejahren werden nicht erhöht, um</p>

verringerte Gewinnbeteiligungszahlungen und Zinszahlungen in Vorjahren auszugleichen.

Zinszahlungstage

Zinszahlungen auf die Capital Securities erfolgen an den Tagen, an denen etwaige Gewinnbeteiligungszahlungen gemäß dem Beteiligungsvertrag an die Emittentin gezahlt werden. Gemäß dem Beteiligungsvertrag wird jede Gewinnbeteiligung fällig (i) am 30. Juni des auf das Ende der betreffenden Gewinnperiode folgenden Jahres oder, wenn dies kein Tag ist, an dem Clearstream Banking AG, Frankfurt am Main und das Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (TARGET 2) Zahlungen abwickeln (ein **“Geschäftstag”**), am nächstfolgenden Geschäftstag oder, (ii) falls der Jahresabschluss der Bank für das Geschäftsjahr, auf das sich die betreffende Gewinnperiode bezieht, nicht bis zum 29. Juni des auf das Ende der betreffenden Gewinnperiode folgenden Jahres festgestellt wurde, am Geschäftstag nach seiner Feststellung, je nachdem, welcher Tag später liegt.

Rückzahlungstag und Rückzahlungsbetrag

Sofern die Capital Securities nicht bereits vorher gemäß § 8 der Emissionsbedingungen zurückgezahlt wurden, werden die Capital Securities zurückgezahlt, nachdem der Beteiligungsvertrag von der MünchenerHyp gekündigt wurde, wobei die Kündigung nur nach ihrer Wahl (vorbehaltlich bestimmter Beschränkungen im Beteiligungsvertrag) erfolgen kann. In diesem Fall werden die Capital Securities an dem Tag zurückgezahlt, an dem die Stille Einlage gemäß dem Beteiligungsvertrag zurückgezahlt wird. Siehe *„Zusammenfassung der Bestimmungen des Beteiligungsvertrages – Rückzahlungstag“*. Wenn die Capital Securities an diesem Tag zurückgezahlt werden, wird der Tilgungsbetrag dem von der MünchenerHyp gemäß dem Beteiligungsvertrag zu zahlenden Rückzahlungsbetrag (vorbehaltlich dessen Eingangs bei der Emittentin) entsprechen (siehe *„Zusammenfassung der Bestimmungen des Beteiligungsvertrages – Rückzahlung“*). Ein Tilgungsbetrag auf die Capital Securities wird nur geleistet, sofern der Rückzahlungsbetrag unter dem Beteiligungsvertrag geleistet und von der Emittentin vereinnahmt wird.

Vorzeitige Kündigung und Rückzahlung

Die Emittentin kann die Capital Securities unter Einhaltung einer Kündigungsfrist von mindestens 30 und höchstens 60 Tagen insgesamt, jedoch nicht teilweise mit Wirkung zum 30. Juni eines jeden Jahres (aber frühestens mit Wirkung zum 30. Juni 2015) kündigen. Die Emittentin kann die Capital Securities auch früher und an einem anderen Datum zurückzahlen, wenn sie nach einer Änderung der Rechtsvorschriften dazu verpflichtet wäre, zum Ausgleich von Beträgen, die sie aufgrund von Steuern einbehält, Zusätzliche Beträge an die Emissionsgläubiger zu zahlen. Die Emittentin zahlt die Capital Securities zu ihrem Nennbetrag zuzüglich aufgelaufener Zinsen zurück. Eine vorzeitige Kündigung erfordert nicht die gleichzeitige Kündigung des Beteiligungsvertrags und die Zahlung des Rückzahlungsbetrages, ist jedoch nur zulässig, wenn die Finanzierung der Tilgungszahlung durch die Ausgabe vergleichbarer Schuldverschreibungen oder auf andere Weise gesichert ist.

Zahlung Zusätzlicher Beträge

Sollte die Emittentin zu einem Einbehalt oder Abzug aufgrund von Steuern, die in Bezug auf die Capital Securities zahlbar sind, verpflichtet sein, muss sie die betreffenden Beträge ausgleichen, so dass die Emissionsgläubiger die zahlbaren Beträge in voller Höhe erhalten, als ob keine Verpflichtung zu einem Einbehalt oder Abzug bestanden hätte. Die Verpflichtung der Emittentin zur Zahlung Zusätzlicher Beträge steht unter dem Vorbehalt, dass ihr zu diesem Zweck Mittel zur Verfügung stehen. Die Emittentin hat derzeit keine Vereinbarungen über die Beschaffung von Mitteln geschlossen, die zur Zahlung solcher Zusätzlicher Beträge erforderlich sind, und ihre Fähigkeit hierzu wird von der Zustimmung der MünchenerHyp abhängen, zur gegebenen Zeit höhere Gewinnausschüttungen zur Deckung dieser Zusätzlichen Beträge zu zahlen (siehe *„Investment Considerations – Distributions on Capital Securities are conditional“*).

Mitteilungen

Alle Mitteilungen der Emittentin an die Emissionsgläubiger erfolgen, solange Capital Securities an der Luxemburger Wertpapierbörse notiert sind und die Luxemburger Wertpapierbörse dies verlangt, durch Veröffentlichung in einer führenden, in Luxemburg landesweit verbreiteten Zeitung oder durch Veröffentlichung auf der Website der Luxemburger Wertpapierbörse (www.bourse.lu).

Geltendes Recht

Deutsches Recht.

Maßgebliche Sprache

Deutsche Sprache.

Steuerfolgen

Die wesentlichen Folgen des Erwerbs, des Besitzes und der Veräußerung der Capital Securities für die Besteuerung in Jersey, Deutschland und anderen Ländern sind unter "*Taxation*" beschrieben.

Zusammenfassung der Bestimmungen des Beteiligungsvertrages

Die folgende Zusammenfassung bezieht sich auf bestimmte Bestimmungen des Beteiligungsvertrags. Sie erhebt keinen Anspruch auf Vollständigkeit und unterliegt und beruht in ihrer Gesamtheit auf den Bestimmungen des Beteiligungsvertrags, die unter „Description of the Participation Agreement“ nachgelesen werden können. Die folgende Beschreibung basiert auf den Gegebenheiten am Ausgabedatum der Capital Securities.

Bank	Die Münchener Hypothekenbank eG, München, Deutschland, ein Kreditinstitut in der Form einer Genossenschaft, eingetragen im Genossenschaftsregister beim Amtsgericht München unter der Registernummer 396.
Stille Gesellschafterin	Die Isar Capital Funding I Limited Partnership, eine nach dem Recht Jerseys gegründete Kommanditgesellschaft (<i>limited partnership</i>). Die Stille Gesellschafterin wurde am 4. September 2008 gegründet und beim Jersey Registrar of Limited Partnerships unter der Registernummer LP1096 eingetragen.
Beteiligung	Die stille Kapitalbeteiligung am Handelsgewerbe der MünchenerHyp. MünchenerHyp beabsichtigt, die von ihr aus dem Verkauf der Beteiligung erzielten Erlöse zur Stärkung ihrer Kapitalbasis sowie zur Stützung des kontinuierlichen Geschäftswachstums zu verwenden und erwartet, 100 % des Nennbetrags der Beteiligung als Kernkapital auf Institutsebene zu behandeln.
Einlagenennbetrag	Der Nennbetrag der Stillen Einlage wird von der Bank und der Emittentin am oder um den 19. November 2009 bestimmt.
Stückelung	Der Nennbetrag ist nicht gestückelt.
Ausgabepreis	100 Prozent.
Form	Die Beteiligung ist nicht durch ein Wertpapier verbrieft. Die Bedingungen der Beteiligung sind im Beteiligungsvertrag, einem Vertrag zwischen der MünchenerHyp und der Emittentin, dargelegt.
Anfangsdatum	Nach dem Beteiligungsvertrag ist die Stille Einlage am Anfangsdatum (voraussichtlich am oder um den 26. November 2009 an die MünchenerHyp zu zahlen.
Fälligkeit	Die Beteiligung ist ein Instrument mit unbegrenzter Laufzeit ohne feste Endfälligkeit. Sie kann dennoch beim Eintritt bestimmter Ereignisse zurückgezahlt werden (siehe „Rückzahlungstag“).
Gewinnperioden	Gewinnbeteiligungen an der Stillen Einlage fallen für Gewinnperioden (die „ Gewinnperioden “) an, die vom 1. Januar (einschließlich) bis zum 31. Dezember (einschließlich) eines jeden Jahres laufen. Die erste Gewinnperiode (die „ Erste Gewinnperiode “) beginnt am Anfangsdatum (einschließlich) und dauert bis zum 31. Dezember 2009 (einschließlich). Die letzte Gewinnperiode beginnt am 1. Januar des Jahres, in dem die Beteiligung der Stillen Gesellschafterin an den Gewinnen und Verlusten der MünchenerHyp endet, und endet an dem Tag, an dem dies eintritt (der „ Beendigungstag “) (einschließlich dieser beiden Tage).
Gewinnbeteiligungszahlungen und -tage	Vorbehaltlich des vollständigen oder teilweisen Ausschlusses von Gewinnbeteiligungen (siehe „Ausschluss von Gewinnbeteiligungen“) sind die Gewinnbeteiligungen für die betreffenden Gewinnperioden fällig und zahlbar am 30. Juni in dem auf das Ende der betreffenden Gewinnperiode folgende Jahr oder, falls dieser Tag kein Geschäftstag ist, an dem nächstfolgenden Geschäftstag oder, falls der Jahresabschluss der Bank für das Geschäftsjahr, auf das sich die betreffende Gewinnperiode bezieht, nicht bis zum 29. Juni des auf das Ende der betreffenden Gewinnperiode folgenden Jahres festgestellt wurde, am Geschäftstag nach seiner Feststellung.
Kein Ausgleich bei verspäteter Zahlung	Falls der Tag der Gewinnbeteiligungszahlung für die entsprechende Gewinnperiode nach Maßgabe des Beteiligungsvertrags verschoben wird, erfolgt auf den insoweit nicht gezahlten Betrag der Gewinnbeteiligungszahlung für die entsprechende Gewinnperiode keine

	Zahlung von Zinsen und keine Zahlung von weiteren Beträgen zur Gewinnbeteiligung.
Gewinnbeteiligungszahlung für die Erste Gewinnperiode	Vorbehaltlich des vollständigen oder teilweisen Ausschlusses von Gewinnbeteiligungen (siehe „Ausschluss von Gewinnbeteiligungen“) wird die Gewinnbeteiligung für die Erste Gewinnperiode einem von Bank und der Emittentin am oder um den 19. November 2009 bestimmten Betrag in EUR entsprechen.
Höhe der Gewinnbeteiligung in Gewinnperioden nach der Ersten Gewinnperiode	<p>Vorbehaltlich des vollständigen oder teilweisen Ausschlusses von Gewinnbeteiligungen (siehe „Ausschluss von Gewinnbeteiligungen“) wird die Gewinnbeteiligung für jede Gewinnperiode nach der Ersten Gewinnperiode auf Basis eines Festzinssatzes, der von der Emittentin am oder um den 19. November 2009 bestimmt wird, auf den Einlagenennbetrag ermittelt.</p> <p>Der Beteiligungsvertrag sieht vor, dass die Emittentin und die Bank für die letzte Gewinnperiode eine niedrigere Gewinnbeteiligung vereinbaren können, solange gewährleistet ist, dass die Emittentin über ausreichende Mittel verfügt, um (i) die am Tag der Gewinnbeteiligungszahlung planmäßig fällig werdenden Zinszahlung auf die Capital Securities in voller Höhe zu zahlen und (ii) alle sonstigen gegenwärtigen und künftigen Verbindlichkeiten der Emittentin (einschließlich der erwarteten Kosten der Liquidation der Emittentin) zu erfüllen.</p>
Ausschluss von Gewinnbeteiligungen	<p>Falls die MünchenerHyp in dem Geschäftsjahr, auf das sich die betreffende Gewinnperiode bezieht, einen Bilanzverlust verbucht, fällt für die betreffende Gewinnperiode keine Gewinnbeteiligung an. Die Emittentin erhält somit keine Gewinnbeteiligungszahlung in Bezug auf die entsprechende Gewinnperiode. Entsprechend erhalten die Emissionsgläubiger keine Zinszahlung für das betreffende Geschäftsjahr der MünchenerHyp. Wie im Beteiligungsvertrag näher dargelegt, sind Gewinnbeteiligungen vollständig oder teilweise ausgeschlossen</p> <ul style="list-style-type: none"> (i) soweit (jedoch nur in dem Maße wie) die Zahlung einer solchen Gewinnbeteiligung zu einem Bilanzverlust in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde; oder (ii) falls der Buchwert der Stillen Einlage aufgrund von Verlusten der Bank in Vorjahren herabgesetzt und noch nicht vollständig durch in Folgejahren angefallene Gewinne aufgefüllt wurde; oder (iii) wenn zu irgendeinem Zeitpunkt vor Auszahlung der Gewinnbeteiligung in Deutschland ein Antrag auf Eröffnung des Insolvenzverfahrens über das Vermögen der Bank aus Gründen der drohenden oder bestehenden Zahlungsunfähigkeit oder Überschuldung gestellt wurde oder die BaFin die ihr verliehenen Befugnisse gemäß §§ 45, 46, 46a und 47 KWG bzw. entsprechender Nachfolgeb Bestimmungen ausgeübt hat; oder (iv) falls die Gesamtkennziffer der Bank auf Institutsebene unter 9 Prozent liegt, sofern die Zahlung der Gewinnbeteiligung zu einem Jahresfehlbetrag (gemäß HGB) in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde. <p>Gewinnbeteiligungszahlungen sind nicht kumulativ. Demzufolge werden Gewinnbeteiligungszahlungen in Folgejahren nicht erhöht, um verringerte Gewinnbeteiligungszahlungen in Vorjahren auszugleichen.</p>
Bilanzverlust	Ein „ Bilanzverlust “ liegt vor, wenn die nicht konsolidierte Jahresbilanz der Bank nach Prüfung durch eine von der Bundesanstalt für Finanzdienstleistungsaufsicht („ BaFin “) anerkannte Wirtschaftsprüfungsgesellschaft für das Geschäftsjahr, auf das sich die maßgebliche Gewinnbeteiligung bezieht, keinen Bilanzgewinn ausweist, der nach Maßgabe der handelsrechtlichen Rechnungslegungsvorschriften in der Bundesrepublik Deutschland ermittelt wurde. Ein solcher Bilanzgewinn schließt den Jahresüberschuss oder -fehlbetrag ein, <i>zuzüglich</i> des Gewinnvortrags aus dem Vorjahr, <i>abzüglich</i> des Verlustvortrags aus dem Vorjahr, <i>zuzüglich</i> der Entnahmen aus Kapital- und Ergebnisrücklagen, <i>abzüglich</i> Einstellungen in Ergebnisrücklagen und der Heraufschreibung von Genussscheinen, und zwar jeweils nach Maßgabe und in Übereinstimmung mit den deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) sowie sonstigem

Verlustbeteiligung und Herabsetzung

zum maßgeblichen Zeitpunkt anwendbaren deutschen Recht.

Erleidet die MünchenerHyp einen Bilanzverlust, nimmt die Stille Gesellschafterin daran teil. Die Stille Gesellschafterin nimmt an einem Bilanzverlust im Verhältnis des Buchwerts der Stillen Einlage zum Gesamtbuchwert aller am Verlust teilnehmenden Haftkapitalanteile der MünchenerHyp teil. Wie im Beteiligungsvertrag näher dargelegt, umfasst das Haftkapital der MünchenerHyp alle Beteiligungen in Form einer stillen Gesellschaft, alle Genussrechte oder Genussscheine gemäß KWG und das gesamte Geschäftsguthaben.

Nach einem Bilanzverlust erfolgt eine entsprechende Herabsetzung des Buchwertes der Stillen Einlage (die „**Herabsetzung**“) in Höhe des Anteils der Stillen Gesellschafterin an diesem Bilanzverlust. Der Gesamtanteil der Stillen Gesellschafterin an dem Bilanzverlust darf den Einlagenennbetrag nicht übersteigen.

Wiederauffüllung der Stillen Einlage

Nach einer Herabsetzung wird der Buchwert der Stillen Einlage in nachfolgenden Geschäftsjahren der MünchenerHyp, in denen gemäß deutschen handelsrechtlichen Rechnungslegungsvorschriften Jahresüberschüsse verbucht werden, wiederaufgefüllt. Die Wiederauffüllung des Buchwertes der Stillen Einlage erfolgt gleichrangig mit der Wiederauffüllung anderer stiller Beteiligungen, jedoch erst nachdem der Wert aller Genussscheine und Genussrechte gemäß KWG vollständig wiederaufgefüllt wurden. Eine Wiederauffüllung des Geschäftsguthabens oder eine Einstellung in die Rücklagen kann nur erfolgen, nachdem die Stille Einlage wieder vollständig bis zum Einlagenennbetrag der Stillen Einlage am Anfangsdatum aufgefüllt wurde.

Eine solche Wiederauffüllung des Nennbetrags der Stillen Einlage kann in keinem Fall dazu führen, dass der Buchwert der Stillen Einlage über den Einlagenennbetrag der Stillen Einlage am Anfangsdatum steigt. Nach einer Herabsetzung anfallende Gewinnbeteiligungen werden dem laufenden Geschäftsjahr zugerechnet, nicht jedoch vorangegangenen Geschäftsjahren, in denen eine Gewinnbeteiligung aufgrund eines Bilanzverlustes nicht angefallen ist oder gezahlt wurde.

Kapitalzahlungen

Rückzahlungen von Kapital durch die MünchenerHyp erfolgen nur bei der Rückzahlung der Stillen Einlage (siehe „Rückzahlungstag“). Zu diesem Zeitpunkt wird der Buchwert der Stillen Einlage unter Berücksichtigung einer etwaigen Herabsetzung zurückgezahlt (siehe „Rückzahlung“).

Kündigung

Der Beteiligungsvertrag hat eine unbegrenzte Laufzeit und sieht folglich keine feste Endfälligkeit vor. Deshalb wird die Stille Einlage an die Stille Gesellschafterin nur nach Kündigung des Beteiligungsvertrages gemäß dessen Bestimmungen und vorbehaltlich der darin genannten Bedingungen zurückgezahlt.

Wie im Beteiligungsvertrag näher bestimmt, kann die MünchenerHyp den Beteiligungsvertrag nur kündigen

- (i) wenn für die MünchenerHyp wesentliche nachteilige steuerliche- oder aufsichtsrechtliche Änderungen eintreten, jedoch in keinem Fall mit Wirkung vor dem 31. Dezember 2014 (in diesem Fall wird der Rückzahlungsbetrag vorbehaltlich der im Beteiligungsvertrag genannten Bedingungen am 30. Juni 2015 an die Stille Gesellschafterin gezahlt (siehe „Rückzahlungstag“)), oder
- (ii) mit Wirkung zum 31. Dezember des Kalenderjahres, in das die fünfte volle Gewinnperiode nach Ablauf der Ersten Gewinnperiode fällt (in diesem Fall wird der Rückzahlungsbetrag vorbehaltlich der im Beteiligungsvertrag genannten Bedingungen am nächstfolgenden 30. Juni an die Stille Gesellschafterin gezahlt),

wobei in jedem Fall der Buchwert der Stillen Einlage dem Einlagenennbetrag entspricht.

Die MünchenerHyp kann den Beteiligungsvertrag nur unter Einhaltung einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Stillen Gesellschafterin kündigen. Eine Kündigung durch die MünchenerHyp wird erst nach Genehmigung durch die BaFin wirksam. Die MünchenerHyp kann ihre Kündigungsrechte erst dann ausüben, wenn der Buchwert zum Zeitpunkt der Kündigungserklärung nicht geringer ist als der Einlagenennbetrag.

Beendigungstag

Der Beendigungstag ist der letzte Tag, an dem die Stille Gesellschafterin am Bilanzgewinn oder Bilanzverlust der MünchenerHyp als Stille Gesellschafterin teilnimmt, d.h. der in der betreffenden Kündigungserklärung, die gemäß den Bestimmungen des Beteiligungsvertrages erfolgt (einschließlich der im Beteiligungsvertrag vorgesehenen Kündigungsfrist), angegebene Tag des Wirksamwerdens der Kündigung.

Falls der Beendigungstag auf einen anderen Tag als einen 31. Dezember fällt, fällt eine Gewinnbeteiligung ab dem 1. Januar (einschließlich) des Jahres, in das der Beendigungstag fällt, bis zum Beendigungstag (einschließlich) an. Für den Zeitraum danach zu dem auf den Beendigungstag folgenden 31. Dezember (einschließlich) hat die Stille Gesellschafterin Anspruch auf eine Zinszahlung, die in der Höhe berechnet wird, in der Gewinnbeteiligungen für die Gewinnperiode, in die der Beendigungstag fällt, anfallen. Die Zinszahlung wird am selben Tag fällig wie die Gewinnbeteiligungszahlung für die Gewinnperiode, in die der Beendigungstag fällt.

Rückzahlungstag

Rückzahlungstag ist der 30. Juni des Jahres, das auf das Geschäftsjahr der MünchenerHyp folgt, in das der Beendigungstag fällt, oder, falls dieser Tag kein Geschäftstag ist, der nächstfolgende Geschäftstag. Falls der Jahresabschluss der MünchenerHyp für das Geschäftsjahr, in das der Beendigungstag fällt, am 29. Juni des Folgejahres noch nicht festgestellt ist, ist der Rückzahlungstag der auf die Feststellung folgende Geschäftstag.

Rückzahlung

Am Rückzahlungstag wird die MünchenerHyp den Buchwert oder den Einlagenennbetrag der Stillen Einlage, je nachdem, welcher niedriger ist, an die Stille Gesellschafterin zahlen.

Einhaltung des deutschen Bankaufsichtsrechts

Nach geltendem deutschen Bankaufsichtsrecht müssen alle Rückzahlungen der Stillen Einlage, die unter Verletzung der Bestimmungen des Beteiligungsvertrages erfolgt sind, an die MünchenerHyp zurückgezahlt werden.

Rangfolge

Wie im Beteiligungsvertrag näher bestimmt, sind die Zahlungsverpflichtungen der MünchenerHyp aus dem Beteiligungsvertrag

- (i) nachrangig gegenüber Forderungen aller bestehenden und künftigen Gläubiger der MünchenerHyp (einschließlich der Gläubiger von Genussscheinen gemäß KWG),
- (ii) mindestens gleichrangig mit allen Forderungen auf Rückzahlung von, und Zahlungen auf, Kapitaleinlagen in Bezug auf bestehende und künftige stille Beteiligungen an der MünchenerHyp und
- (iii) vorrangig vor allen Forderungen von Mitgliedern der MünchenerHyp im Zusammenhang mit ihren Geschäftsanteilen am Geschäftsguthaben,

soweit diese jeweils begründet wurden oder in Zukunft begründet werden.

Durchsetzungsrechte

Der Beteiligungsvertrag begründet einen Vertrag zwischen der MünchenerHyp und der Emittentin. Deshalb kann regelmäßig nur die Emittentin (oder des Sicherheitentreuhänders als Zessionar gemäß dem Sicherungsabtretungsvertrag) Rechte aus dem Beteiligungsvertrag gegen die MünchenerHyp durchsetzen. Die Emittentin ist nicht verpflichtet, zur Durchsetzung ihrer Rechte aus dem Beteiligungsvertrag gegen die MünchenerHyp Klage zu erheben.

Erfüllungsort und Gerichtsstand

München, Deutschland.

Geltendes Recht

Deutsches Recht.

Maßgebliche Sprache

Deutsche Sprache.

Zusammenfassung der Bestimmungen des Darlehensvertrages

Die folgende Zusammenfassung bezieht sich auf bestimmte Bestimmungen des Darlehensvertrages. Sie erhebt keinen Anspruch auf Vollständigkeit und unterliegt und beruht in ihrer Gesamtheit auf den Bestimmungen des Darlehensvertrages, die unter „Description of the Loan Agreement“ aufgeführt sind. Die folgende Beschreibung basiert auf den Gegebenheiten am Ausgabetag der Capital Securities.

Parteien	<p>Münchener Hypothekenbank eG als Darlehensgeberin („Darlehensgeberin“).</p> <p>Isar Capital Funding I Limited Partnership, eine nach dem Recht Jerseys gegründete Kommanditgesellschaft (<i>limited partnership</i>) als Darlehensnehmerin („Darlehensnehmerin“).</p>
Darlehensauszahlungen	<p>An jedem Tag, an dem eine Gewinnbeteiligungszahlung gemäß dem Beteiligungsvertrag fällig wird, ist die Darlehensgeberin verpflichtet, eine Darlehensauszahlung in Höhe des Betrages, der dem von der MünchenerHyp vorgenommenen Einbehalt von Kapitalertragsteuer von der maßgeblichen Gewinnbeteiligungszahlung entspricht, an die Emittentin vorzunehmen.</p> <p>An jedem Tag, an dem die Stille Einlage nach einer Herabsetzung wiederaufgefüllt wird, ist die Darlehensgeberin verpflichtet, eine Darlehensauszahlung in Höhe des Betrages, der dem von der MünchenerHyp vorgenommenen Einbehalt von Kapitalertragsteuer von der maßgeblichen Wiederauffüllung entspricht, an die Emittentin vorzunehmen.</p>
Rückzahlung	<p>Die Emittentin ist verpflichtet, ausstehende Auszahlungen in Höhe des vollen Betrags jeder Kapitaleinzahlung, die sie nach dem Einzahlungsvertrag von der Emittentin-Kommanditistin erhält, unverzüglich nach dem Erhalt der betreffenden Kapitaleinzahlung zurückzuzahlen (jeweils eine „Rückzahlung“).</p>
Zinsen	<p>Die Darlehensnehmerin ist verpflichtet, an jedem Tag, an dem sie eine Rückzahlung vornimmt, Zinsen an die Darlehensgeberin zu zahlen. Der Zinssatz entspricht dem Referenzzinssatz, d.h. dem Angebotssatz zwischen Banken für Zwölf-Monats-Einlagen in Euro (EURIBOR) plus einer Marge von 0,5% p.a., wobei der anwendbare Zinssatz unter keinen Umständen 4% p.a. überschreiten und 3% p.a. unterschreiten wird.</p>
Geltendes Recht	<p>Deutsches Recht.</p>
Maßgebliche Sprache	<p>Deutsche Sprache.</p>

RISK FACTORS

An investment in the Capital Securities involves certain risks. The following is designed to show only certain aspects of the business of MünchenerHyp, the Capital Securities and the Issuer of which prospective investors should be aware. Investors should carefully consider the following discussion of the risks and the other information about the Capital Securities contained in this Prospectus before deciding whether an investment in the Capital Securities is suitable. An investment in the Capital Securities is only suitable for investors experienced in financial matters who are in a position to fully assess the risks relating to such an investment and who have sufficient financial means to absorb any potential loss stemming therefrom.

Risks associated with the Business of MünchenerHyp

Risks associated with the Profitability of MünchenerHyp

There will be no distributions under the Participation Agreement and consequently there will not be any Coupon Payments in respect of the Capital Securities, if MünchenerHyp records a Balance Sheet Deficit (*Bilanzverlust*). There is no assurance that MünchenerHyp will show a balance sheet profit in future fiscal years and that it will, therefore, be able to make payments under the Participation Agreement.

Risks associated with MünchenerHyp's Business Activities

MünchenerHyp is subject to different risks within its business activities. The primary risk types are the following:

Borrower failure risk

Borrower failure risk – also referred to as lending risk – is the most significant category of risk for MünchenerHyp. Borrower failure risk refers to the danger that a borrower or a group of borrowers may delay, make partial repayment or even default on repaying a loan to the lender.

Market price risks

Market price risks consist of the risk of possible declines in the value of positions or portfolios arising from changes in market parameters including interest rates and exchange rates. These risks are qualified as potential losses of present value using a present value model that differentiates between changes in interest rates as well as risks arising from options and currency rates. Market price risks also include (credit) spread risk.

Liquidity risks

Liquidity risks include all risks arising from incomplete payment of obligations that could endanger the Bank's net income and capital.

Operational risks

Operational risks refer to possible losses caused by personal misconduct, weaknesses in procedural or project management, technical failure or negative outside influences. They also include legal risks and other general risks. Personal misconduct also includes unlawful actions, improper sales practices, unauthorised actions and transaction errors.

The "Risk Report" included in the "Management Report" is incorporated in this Prospectus by reference to pages 33 to 36 of the Annual Report 2008.

Risks associated with MünchenerHyp's Rating

The risk related to MünchenerHyp's ability to make payments under the Participation Agreement and the Loan Agreement is described by reference to the ratings assigned to MünchenerHyp.¹

MünchenerHyp is rated by Moody's. As of the publication date of this Prospectus the ratings assigned to MünchenerHyp were as follows:

Moody's:	long-term rating:	Aa 3
	short-term rating:	P-1

Moody's defines:

¹ A rating is not a recommendation to buy, sell or hold Capital Securities. The current ratings of MünchenerHyp may be obtained from MünchenerHyp's website "www.muenchenerhyp.de".

Aa: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

Note:

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa to Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

P-1: Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

Since August 2008, the outlook for all of MünchenerHyp's ratings is stated as "Stable". However, given the current market situation, it cannot be excluded that these ratings will change in the near future. The most recent reviews of Moody's ratings in relation to banks and other financial institutions show a tendency to rate such banks and financial institutions more restrictively. Therefore, in case of a review of Moody's current ratings of MünchenerHyp, MünchenerHyp cannot exclude that Moody's will restate the outlook for all of MünchenerHyp's ratings, other than that for Pfandbriefe and Public Pfandbriefe, as "Negative".

The above ratings of MünchenerHyp may deviate from the rating of A2 by Moody's which the Issuer expects to be assigned to the Capital Securities upon issuance. In this context, potential investors should also read the risk factor "Change in the Credit Rating assigned to the Capital Securities" below.

Further, the above ratings of MünchenerHyp may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the ratings assigned to MünchenerHyp may adversely affect the market price of the Capital Securities. However, any positive change in the credit rating of MünchenerHyp will not necessarily affect the trading price of the Capital Securities.

Moreover, a suspension, reduction or withdrawal of the ratings assigned to MünchenerHyp may adversely affect the conditions governing its refinancing operations. Consequently, MünchenerHyp's cost of funds could increase and this could have a negative impact on its earnings and market position.

Availability of Regulatory Capital

MünchenerHyp is subject to certain German regulatory capital requirements. For a discussion of the regulatory capital requirements, see the section entitled "Regulation". While MünchenerHyp considers MünchenerHyp's capital base to be sufficient, there can be no assurance that MünchenerHyp will not be restricted in its ability to conduct or expand its business as a result of insufficient regulatory capital. Any failure of MünchenerHyp to maintain sufficient levels of regulatory capital would have a material adverse effect on its business, results of operations and financial condition. This, in turn, could result in MünchenerHyp recording a Balance Sheet Deficit (*Bilanzverlust*) such that no distributions under the Capital Securities would be made for the relevant fiscal year and, potentially, in the future (until the full replenishment of the Silent Contribution after a Reduction).

Risks related to the Financial Market Crisis

The crisis in the financial markets provoked by the sub-prime mortgage crisis in the United States of America in 2007 and escalating in 2008 has led to tremendous write-downs of assets in the balance sheets of many banks and to a substantial widening of credit spreads on the capital markets which increased the cost of refinancing of certain banks. Because of such increased cost and substantial write-downs some market participants faced economic difficulties and could not avoid bankruptcy which led to considerable loss of trust in the interbank credit market with the result that lending among banks dried up substantially.

As a consequence of the financial market crisis the Bank may encounter difficulties in obtaining refinancing or may only be able to obtain refinancing at elevated rates. The Bank may further face increased counterparty risk. The inability of the Bank to refinance itself would have a material adverse effect on its liquidity position.

In order to stabilise financial markets, provide liquidity, restore the confidence of financial market participants and prevent a further aggravation of the financial crisis, the German legislator has on 18 October 2008 enacted the Financial Market Stabilisation Act ("**FMStG**"), as amended with effect from 9 April 2009 and 1 August 2009, establishing the Financial Market Stabilisation Fund (the "**Fund**") and creating a package of stabilisation instruments. Financial sector companies which benefit from any stabilisation instruments under the FMStG are subject to special regulations.

While the FMStG's purpose includes stabilising financial markets there is no guarantee that this purpose will be attained.

Risks associated with an Investment in the Capital Securities

The purchase of the Capital Securities involves certain risks arising as a result of specific characteristics of the Capital Securities and the underlying Participation Agreement. These could result in serious losses either because no Profit Participation Payments accrue or because no Repayment Amount may be paid or it may be reduced because the sale of the Capital Securities is possible only at a lower price.

Profit Participations under the Participation Agreement and Coupon Payments under the Capital Securities are conditional and non-cumulative

The Participation Agreement provides that no Profit Participations will accrue or be payable by the Bank for any Profit Period:

- (i) if (but only to the extent that) a Profit Participation Payment would create or increase a Balance Sheet Deficit for the fiscal year of the Bank to which the relevant Profit Period relates; or
- (ii) if the book value of the Silent Contribution has been reduced due to losses of the Bank in previous years and not yet fully replenished by profits from the following years; or
- (iii) if, at any time prior to payment of such Profit Participation, an application for the institution of insolvency proceedings in respect of the assets of the Bank has been filed for reasons of threatened or actual illiquidity or overindebtedness, or the BaFin has made use of its powers vested by virtue of §§ 45, 46, 46a and 47 of the KWG or the relevant successor provisions; or
- (iv) if the Bank's solvency ratio (*Gesamtkennziffer*) is below 9% on an unconsolidated basis, to the extent that payment of such Profit Participation would create or increase an annual loss (*Jahresfehlbetrag*) (according to the German Commercial Code (*Handelsgesetzbuch*)) for the fiscal year of the Bank to which the relevant Profit Period relates.

If due to any of these conditions Profit Participations do not accrue and are not payable with respect to any Profit Period, such Profit Participation will not be paid at any later point of time (non-cumulative). Accordingly, Profit Participation Payments in subsequent years will not be increased to compensate for any shortfall in Profit Participation Payments in any previous year.

Coupon Payments will only be paid on the Capital Securities if and to the extent that Profit Participation Payments under the Participation Agreement are accrued for any Profit Period and are effectively received by the Issuer (see the section entitled "Terms and Conditions of the Capital Securities"). Accordingly, whenever a Profit Participation Payment is not made or not made in full due to any of the above conditions contained in the Participation Agreement, Security Holders will not receive, or receive only a reduced, Coupon Payment and any Coupon Payment not made in full will not be paid at any later point of time.

Profit Participation Payments depend, among other things, on MünchenerHyp's profits

The amounts payable as Profit Participation Payments under the Participation Agreement and, accordingly, as Coupon Payments under the Capital Securities depend on the future profits or losses of MünchenerHyp. Profit Participations will not accrue if (and to the extent that) such accrual would create or increase a Balance Sheet Deficit (*Bilanzverlust*) in MünchenerHyp's unconsolidated German GAAP accounts. There is a Balance Sheet Deficit if the annual unconsolidated balance sheet of the Bank, taking into account the potential Profit Participation Payment, does not show a balance sheet profit (*Bilanzgewinn*) for the fiscal year to which the relevant Profit Participation relates.

Such balance sheet profit includes the net income or loss (*Jahresüberschuss/Jahresfehlbetrag*) for the year, *plus* any profit carried forward from the previous year, *less* any loss carried forward from the previous year, *plus* transfers from capital reserves and revenue reserves (*Kapital- und Ergebnisrücklagen*), *less* allocations to revenue reserves (*Ergebnisrücklagen*) and any write-up of profit participation rights in the form of profit participation certificates (*Genussscheine*), all in compliance with, and determined in accordance with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)) and other applicable German law then in effect.

The Bank's management has broad discretion to make allocations to the funds for general banking risks pursuant to § 340g of the German Commercial Code (*Handelsgesetzbuch*) and to create uncommitted reserves for general banking risks pursuant to § 340f of the German Commercial Code (*Handelsgesetzbuch*). These allocations and reserves will reduce any net income (*Jahresüberschuss*) for the year which is the basis for the calculation of the balance sheet profit. Accordingly, the Bank is legally capable of influencing its ability to make Profit Participation Payments to the ultimate detriment of Security Holders. In addition, the Bank's management is under no legal obligation to take actions to create a net income for the year, or make transfers from capital reserves and revenue reserves in order to enable the Bank to make Profit Participation Payments.

Moreover, the Federal Republic of Germany enacted new legislation in July 2009 authorising BaFin, if (i) the relevant bank does not comply with applicable minimum capital requirements or (ii) the economic situation of the relevant bank gives reason to believe that the bank will not permanently comply with applicable minimum capital requirements, to prohibit or limit the payment of interest on silent partnership interests qualifying as solo Tier I capital (such as the funds provided to the Bank under the Participation Agreement) to the extent such payments are not covered by a current annual net income for the respective fiscal year. Under such circumstances, BaFin may also take action to prohibit or limit any accounting measures by the relevant bank designed to (i) avoid an annual net loss which would otherwise arise or (ii) create a balance sheet profit. BaFin was also granted broad authorisation to set specific minimum capital adequacy requirements for individual banks which go beyond the generally applicable minimum requirements; non-compliance with such higher individual capital requirements could then be the basis for a prohibition or limitation

on payments on silent partnership interests. Accordingly, even if the Bank was intrinsically profitable and willing to make Profit Participation Payments, it could be prevented from doing so by regulatory action. In all such instances, Security Holders would receive no, or reduced, Coupon Payments for the relevant Interest Period.

In addition, it cannot be excluded that the Federal Republic of Germany enacts further legislation adversely affecting the position of the Issuer as silent partner under the Participation Agreement and thus also the right of the Security Holders to receive Coupon Payments for the relevant Interest Period.

The Capital Securities have no Scheduled Maturity

The Capital Securities offered by the Issuer have no scheduled maturity and will run for an indefinite period. Under their terms and conditions, the Capital Securities may only be terminated by the Issuer and may not be terminated by the Security Holders (save for extraordinary cause (*wichtiger Grund*)). Subject to certain exceptions described in this Prospectus, an ordinary termination by the Issuer may only become effective on or after 30 June 2015 and only if financing of the repayment amount and the payment of accrued interest has been secured through the issuance of securities similar to the Capital Securities or in any other way. It is expected that the Issuer can fund the repayment amount solely by payments it will receive from MünchenerHyp after repayment of the Silent Contribution or by the issuance of securities with terms substantially identical to those of the Capital Securities. The Silent Participation has no scheduled maturity. It may only be terminated by MünchenerHyp and not by the Issuer. Except for certain tax or regulatory reasons, as stipulated in this Prospectus, an ordinary termination may not become effective earlier than 31 December of the calendar year in which the fifth complete Profit Period following the expiry of the First Profit Period falls. In addition, except in circumstances where the Silent Contribution will no longer qualify as solo Tier I capital for regulatory purposes, in which case the Bank may terminate the Participation Agreement with immediate effect, the Participation Agreement stipulates that no termination shall become effective without prior regulatory approval and that there is no Reduction of the Participation's book value as at the time at which the termination notice is given. Moreover, any termination by MünchenerHyp of the Participation Agreement will be at MünchenerHyp's full discretion. There can also be no assurance that the Issuer will issue any other securities to refinance the Capital Securities.

Therefore, Security Holders should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for an indefinite period of time.

Capital Payments on the Capital Securities are dependent on the size of the Repayment Amount under the Participation Agreement

The Bank will be prevented from terminating the Participation Agreement and repaying the Silent Contribution if the Silent Contribution has participated in MünchenerHyp's Balance Sheet Deficit (*Bilanzverlust*) and the Participation's book value has not yet been fully replenished to its Nominal Contribution Amount at the time of the termination notice. However, there is a risk that a Reduction may occur with respect to a Balance Sheet Deficit of the Bank in the fiscal year of the Bank as of the end of which the Participation Agreement is terminated. If, in such case, the BaFin approves repayment of the Silent Contribution, the Repayment Amount payable under the Participation Agreement will be lower than its Nominal Contribution Amount. In such case, Capital Payments under the Capital Securities will be lower than the nominal amount of the Capital Securities. Accordingly, Balance Sheet Deficits (*Bilanzverluste*) of MünchenerHyp may result in the Security Holders incurring a loss on their investment upon redemption of the Capital Securities.

Distributions on the Capital Securities are conditional on receipt of funds by the Issuer from MünchenerHyp

The Issuer's payment obligations under the Capital Securities depend upon the receipt in full of the necessary amounts payable by MünchenerHyp under the Participation Agreement and by the Lender under the Loan Agreement. To the extent the Issuer does not receive such amounts, there is no obligation to make payments under the Capital Securities. In particular, the Issuer's obligation to pay Additional Amounts to Security Holders in the event that it becomes obliged to withhold or deduct any amounts from payments to Security Holders is subject to funds being available to it for this purpose. The Issuer has currently not entered into any arrangements to avail itself of funds required to pay Additional Amounts and its ability to do so will depend on the Bank's agreement, at the time, to pay higher Profit Participation Payments to cover such Additional Amounts. There is no obligation on the part of the Bank to agree to pay higher Profit Participation Payments to the Issuer.

Pursuant to the Fiduciary Assignment Agreement between the Issuer, MünchenerHyp as Bank, MünchenerHyp as Lender and BNP Paribas Trust Corporation UK Limited acting as a Security Trustee for the benefit of the Security Holders, the Issuer has assigned to the Security Trustee, for the benefit of the Security Holders, all present and future payment claims under the Participation Agreement and the Loan Agreement. In the event that a debtor in respect of the claims assigned under the Fiduciary Assignment Agreement does not make payment thereof within five days from the due date of such payment, the Security Trustee shall assert the assigned claims against the relevant debtor. However, pursuant to the terms of the Fiduciary Assignment Agreement, the Security Trustee will not be obliged to take any action to enforce such assigned claims, unless the Issuer undertakes to cover all its costs related to such action. Further, as long as the Security Trustee has not been indemnified and held harmless, the Security Trustee shall be entitled to retain all amounts received in respect of the claims assigned under the Fiduciary Assignment Agreement to cover its costs, expenses etc. or to refrain from performing its tasks under the Fiduciary Assignment Agreement. If and to the extent (i) the Bank and/or the Lender does not make payment in full of the amounts due under the Participation Agreement and the Loan Agreement,

respectively, and (ii) the Security Trustee does not take any action to enforce the claims assigned to it under the Fiduciary Assignment Agreement or retains amounts received in respect of such claims to cover its costs and expenses, the Security Holders may not be able to receive distributions on the Capital Securities.

Claims under the Participation Agreement are subordinated in MünchenerHyp's insolvency or liquidation

The payment obligations of MünchenerHyp under the Participation Agreement constitute obligations that are subordinated to the full prior payment in cash or cash equivalents of all existing and future unsubordinated and subordinated indebtedness of MünchenerHyp. Accordingly, the Issuer's rights under the Participation Agreement will rank behind all creditors of MünchenerHyp in the event of the insolvency or liquidation of MünchenerHyp. MünchenerHyp's payment obligations under the Participation Agreement will rank *pari passu* amongst themselves, with all claims in respect of existing and future participations in the form of a silent partnership (*Stille Gesellschaft*) in MünchenerHyp and other Tier I capital instruments of MünchenerHyp ranking *pari passu* therewith and the payment of profit participations thereunder. MünchenerHyp has agreed in the Participation Agreement not to accept any additional participations in the form of a silent partnership in MünchenerHyp ranking senior (as to participation in MünchenerHyp's assets in liquidation or otherwise) to the Silent Participation. Apart from this, MünchenerHyp has not entered into any restrictive covenants in connection with the Participation Agreement regarding its ability to incur additional indebtedness ranking *pari passu* or senior to claims under the Silent Participation.

To the extent the Issuer does not receive payments under the Participation Agreement, there is no obligation of the Issuer to make payments under the Capital Securities.

Profit Participation Payments may be limited by mandatory German Law

The German Stock Corporation Act (*Aktiengesetz*) provides for certain limitations on payments which can be made under so called partial profit transfer agreements (*Teilgewinnabführungsverträge*). The Participation Agreement qualifies as a partial profit transfer agreement. However, since MünchenerHyp is a registered cooperative (*eingetragene Genossenschaft*) rather than a stock corporation (*Aktiengesellschaft*), the relevant provisions of the German Stock Corporation Act do not directly apply to MünchenerHyp. Although MünchenerHyp considers this unlikely, the possibility cannot be entirely excluded that such provisions might be applied analogously to registered cooperatives (*eingetragene Genossenschaften*). In such case, rather than being limited to the balance sheet profit, Profit Participation Payments under the Participation Agreement would in each case be limited to the annual net income (*Jahresüberschuss*) for the year, less any loss carried forward from the previous fiscal year, less allocations to revenue reserves (*Ergebnisrücklagen*) plus any profit carried forward from the previous year, plus transfers from capital reserves and revenue reserves (*Kapital- und Ergebnisrücklagen*) which have been accumulated during the term of the Participation Agreement.

The Issuer may incur additional liabilities

The activities of the Issuer are contractually limited to performing its role in the Transaction. There can be no assurance that the management of the Issuer will restrict its business activities to the Transaction, which may result in additional liabilities. Any such additional liabilities of the Issuer could adversely affect its ability to perform its obligations in connection with the Transaction, which would consequently materially adversely affect the Issuer's ability to perform its obligations under the Capital Securities.

The Agreements between MünchenerHyp and the Issuer may not be at arms length

The Issuer is a limited partnership registered under the Limited Partnerships (Jersey) Law 1994, as amended, and Isar Capital Funding I Limited, the general partner of the Issuer, are owned by Maurant & Co. Trustees Limited, acting as trustee for The Isar Capital Funding I Charitable Trust, and all of the shares in Isar Funding I GmbH, the sole limited partner of the Issuer, is owned by Maurant & Co. Trustees Limited, acting as trustee for The Isar Funding I GmbH Charitable Trust. Neither the Issuer, the general partner, the limited partner, nor Maurant & Co. Trustees Limited is affiliated with MünchenerHyp. It is the intention of MünchenerHyp and the Issuer that the terms of any agreements and transactions among them, including the Participation Agreement, the terms and conditions of the Capital Securities, the Contribution Agreement and the Loan Agreement be fair to all parties and consistent with market terms. However, there can be no assurance that such agreements or transactions are on terms as favourable to the Issuer as those that could have been obtained from parties unaffiliated with MünchenerHyp.

There has been no prior market for the Capital Securities, a liquid market may not develop and the Capital Securities may be subject to significant market price volatility

The Capital Securities that are the subject of this offering are a new issue of securities. Prior to their issue, there has been no public market for the Capital Securities. Although application has been made to have the Capital Securities listed on the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, appearing on the list of regulated markets issued by the European Union and application will be made to have the Capital Securities listed on the the Munich Stock Exchange and to be admitted to trading on the regulated market of the Munich Stock Exchange, appearing on the list of regulated markets issued by the European Union, there can be no assurance that an active public market for the Capital Securities will develop. If such a market develops, neither the Managers nor any other person is obligated to maintain it. Moreover, the liquidity

and the market for the Capital Securities can be expected to vary with changes in the securities market and economic conditions, the financial condition and prospects of MünchenerHyp and the Issuer and other factors which generally influence the market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Capital Securities. Market liquidity in financial instruments similar to the Capital Securities has historically been limited. In addition, potential investors should note that hybrid financial instruments such as the Capital Securities have experienced pronounced price fluctuations in connection with the crisis of the financial markets and the banking sector since 2007.

Change in the Credit Rating assigned to the Capital Securities

The Issuer expects that, upon issuance, the Capital Securities will be assigned a rating of A2 by Moody's Investors Service Ltd.¹ Any change in the credit rating assigned to the Capital Securities may affect the market value of the Capital Securities. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with similar structures to the Capital Securities, as opposed to any revaluation of MünchenerHyp's financial strength or other factors such as conditions affecting the financial services industry generally. In this connection, on 17 June 2009, Moody's published a request for comment (the "**Request for Comment**") entitled "Request for Comment: Moody's Proposed Changes to Bank Subordinated Capital". The Request for Comment asked market participants for comments on its global rating methodology for bank subordinated capital, including hybrid instruments. In particular, the Request for Comment noted that Moody's is considering, among other things, wider notching based on the riskiness of the hybrid instrument's particular features. On 28 July 2009, Moody's announced that it expects to release its finalised methodology during September 2009 and that any ratings potentially affected by the changes in methodology would be placed on review shortly thereafter. Prospective investors should be aware that such change in Moody's methodology may result in the Capital Securities being downgraded by multi-notch downgrades to low investment grade (if the Capital Securities are issued before the new methodology is applied by Moody's to the Capital Securities) or receiving a significantly lower rating than the A2 rating currently expected from Moody's (if the Capital Securities are issued after the new methodology is applied by Moody's to the Capital Securities).

Risks associated with the Issuer

The Issuer is unaffiliated with MünchenerHyp and Security Holders have no right of recourse against MünchenerHyp

The Issuer is a special purpose vehicle whose purpose is the implementing of the transaction described in this Prospectus, including the issue of the Capital Securities. The Issuer is unaffiliated with MünchenerHyp and its sole assets are the claims under the Participation Agreement, the Loan Agreement and the Contribution Agreement. If the Issuer does not receive funds under these claims, it will not be in a position to meet its obligations under the Capital Securities. In such case, the Security Holders will have no claims or other recourse against MünchenerHyp. Consequently, the Security Holders may have the risk of not being able to receive any income in respect of their investment or, at worst, of being unable to recover their initial investment.

¹ A rating is not a recommendation to buy, sell or hold Capital Securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Capital Securities may adversely affect the market price of the Capital Securities.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Prospectus contains certain forward-looking statements with respect to MünchenerHyp's financial condition and results of operations. Forward-looking statements are statements that are not historical facts, including statements about MünchenerHyp's beliefs and expectations. When used in this Prospectus, words such as "believe", "anticipate", "expect", "intend", "seek", "estimate", "project", "should", "potential", "reasonably possible", "plan" and similar expressions identify forward-looking statements. In this document, forward-looking statements include, among others, statements relating to:

- implementation of strategic initiatives;
- the development of aspects of results of operations;
- expectations of the impact of risks that affect MünchenerHyp's business, including the risks of losses on trading activities and credit exposures; and
- other statements relating to future business development and economic performance.

In addition, MünchenerHyp may from time to time make forward-looking statements in its annual and interim reports, invitations to annual general meetings and other information sent to members, offering circulars and prospectuses, press releases and other written materials. MünchenerHyp's Board of Management, Supervisory Board, officers and employees may also make oral forward-looking statements to third parties, including financial analysts.

By their very nature, forward-looking statements involve risks and uncertainties, both general and specific. MünchenerHyp bases these statements on its current plans, estimates, projections and expectations. Potential investors should, therefore, not place too much reliance on them. Forward-looking statements speak only as of the date they were made, and MünchenerHyp undertakes no obligation to update any of them in light of new information or future events, unless required by law.

A number of important factors could cause MünchenerHyp's actual results to differ materially from those described in any forward-looking statement. These factors include, among others, the following:

- changes in general economic and business conditions;
- changes and volatility in currency exchange rates, interest rates and asset prices;
- changes in governmental policy and regulation, and political and social conditions;
- changes in MünchenerHyp's competitive environment;
- the success of MünchenerHyp's acquisitions, divestitures, mergers and strategic alliances;
- the success of any realignments of MünchenerHyp's divisions and risks that MünchenerHyp may not fully realise the benefits anticipated from these realignments and from any cost containment plans that MünchenerHyp has initiated; and
- other factors, including those referred to elsewhere in this document and others that are not referred to in this document.

PRESENTATION OF FINANCIAL INFORMATION

The Bank's annual financial statements as at and for the years ended 31 December 2007 and 31 December 2008 have been prepared in accordance with the German generally accepted accounting principles in Germany ("**German GAAP**") and have been audited by DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. ("**DGRV**"). All of the financial information presented in this Prospectus and relating to the Bank (other than the financial information relating to regulatory capital) is based on MünchenerHyp's audited annual financial statements as at and for the years ended 31 December 2007 and 2008, and the respective management reports (*Lageberichte*) as well as on MünchenerHyp's unaudited Interim Financial Statement for the period from 1 January to 30 June 2009 and unaudited Business Figures September 2009. The financial information in this Prospectus relating to the regulatory capital of MünchenerHyp is based on unaudited accountancy records of the Bank.

The Issuer's annual financial statements as at and for the year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been audited by PricewaterhouseCoopers C.I. LLP. The unaudited financial statements of the Issuer for the period ended 30 June 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS).

USE OF PROCEEDS

All the proceeds from the sale of the Capital Securities will be invested by the Issuer to purchase the Participation. The Bank intends to use the proceeds from the sale of the Participation to strengthen its capital base as well as to support the continuing growth of its business and expects to treat 100 per cent. of the nominal amount of the Participation as solo Tier I regulatory capital (*Kernkapital*).

REGULATORY CAPITAL

The following table shows the composition of the Bank's regulatory capital as at the dates specified (columns may not add up due to rounding):

	2004	2005	2006	2007	2008
			(€ in million)		
Tier I (core) capital (Kernkapital)	504	653	629	634	642
Silent participations (Stille Beteiligungen)	134	274	243	242	233
Capital reserves and revenue reserves (Kapital- und Ergebnisrücklagen)	258	260	264	268	273
Tier II (supplementary) capital (Ergänzungskapital)	359	327	330	321	373
Tier III capital (§ 10(2) KWG): not applied by the Bank	n/a	n/a	n/a	n/a	n/a
Total (including deductible items (Abzugsposten)) pursuant to § 10(6) KWG	1,255	1,514	1,466	1,436	1,521
Tier I Ratio (in %)	5.6	5.8	7.0	6.5	5.6
Total Capital Ratio (in %)	9.9	10.6	10.4	9.7	8.9

There has been no material change in the regulatory capitalisation of MünchenerHyp since 31 December 2008.

NET INCOME AND PROFIT DISTRIBUTIONS OF MÜNCHENERHYP

Coupon Payments on the Capital Securities depend, among other things, on the unconsolidated net income (*Jahresüberschuss*) of the Bank for the preceding fiscal year. See "Summary of the Terms of the Capital Securities".

The following table sets forth, as at 31 December 2008, 2007, 2006, 2005 and 2004 the Bank's audited unconsolidated net income:

	2004	2005	2006	2007	2008
			(€ in million)		
Net Income for the year	8.3	10.1	11.3	12.0	10.2
(Jahresüberschuss)					

The following table shows MünchenerHyp's profit distributions in respect of each of the five years in the periods ended 31 December 2004 through 31 December 2008.

Year ended 31 December	Profit Distributions
	€
2004	6,201,495.96
2005	6,571,697.89
2006	6,787,613.06
2007	6,928,580.35
2008	7,325,319.03

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

THE GERMAN TEXT OF THE TERMS AND CONDITIONS OF THE CAPITAL SECURITIES IS LEGALLY BINDING.
THE ENGLISH TRANSLATION IS FOR CONVENIENCE ONLY

EUR [●] Capital Securities

der

Isar Capital Funding I Limited Partnership
(nachstehend als **Emittentin** bezeichnet)

EUR [●] Capital Securities

issued by

Isar Capital Funding I Limited Partnership
(hereinafter called **Issuer**)

§ 1

Definitionen und Auslegung

Definitionen: Sofern aus dem Zusammenhang nicht etwas anderes hervorgeht, haben die nachstehenden Begriffe folgende Bedeutung:

Ausgabetag bezeichnet den [●] 2009.

BaFin bezeichnet die Bundesanstalt für Finanzdienstleistungsaufsicht oder eine etwaige Nachfolgebehörde, die an deren Stelle tritt.

Bank bezeichnet die Münchener Hypothekenbank eG mit Sitz in München, Deutschland.

Beendigungstag bezeichnet den Tag, ab dem die Emittentin aufgrund einer wirksamen Kündigung des Beteiligungsvertrages nicht mehr am Handelsgewerbe der Bank als typischer stiller Gesellschafter beteiligt ist.

Beteiligungsvertrag hat die in § 4(1) festgelegte Bedeutung.

Ein **Bilanzverlust** liegt dann vor, wenn die nicht konsolidierte Jahresbilanz der Bank nach Prüfung durch eine von der BaFin anerkannte Wirtschaftsprüfungsgesellschaft keinen Bilanzgewinn für das Geschäftsjahr in Bezug auf die maßgebliche Gewinnbeteiligung ausweist, der nach Maßgabe der deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) ermittelt wurde. Der Bilanzgewinn schließt den Jahresüberschuss oder -fehlbetrag ein, zuzüglich des Gewinnvortrags aus dem Vorjahr, abzüglich des Verlustvortrags aus dem Vorjahr, zuzüglich der Entnahmen aus Kapital- und Ergebnissrücklagen, abzüglich Einstellungen in Ergebnissrücklagen und der Heraufschreibung von Genussscheinen, und zwar jeweils nach Maßgabe und in Übereinstimmung mit den deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) sowie sonstigem zum maßgeblichen Zeitpunkt anwendbaren deutschen Recht.

Börse Luxemburg bezeichnet die Börse Luxemburg, die in dem von der EG herausgegebenen Verzeichnis regulierter Märkte aufgeführt ist.

Buchwert der Stillen Einlage bezeichnet den handelsrechtlichen Buchwert der Stillen Einlage, so wie dieser in der Bilanz der Bank für das Geschäftsjahr der Bank festgestellt wurde, in das der Beendigungstag fällt. Wenn sich bei Aufstellung der Bilanz der Bank für dieses Geschäftsjahr die

§ 1

Definitions and Interpretation

Definitions: Unless the context requires otherwise, the following terms will have the following meanings:

Issue Date means [●] 2009.

BaFin means the German Federal Financial Supervisory Authority or any successor agency taking its place.

Bank means Münchener Hypothekenbank eG, having its seat in Munich, Germany.

Termination Date shall mean the date as of which the Issuer ceases to participate in the Bank's commercial enterprise as an ordinary silent partner because the Participation Agreement has been validly terminated.

Participation Agreement has the meaning specified in § 4(1).

There is a **Balance Sheet Deficit** (*Bilanzverlust*) if the annual unconsolidated balance sheet of the Bank, as audited by an auditing firm which is recognised by the BaFin, does not show a balance sheet profit (*Bilanzgewinn*) for the fiscal year to which the relevant Profit Participation relates that was determined in accordance with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)). Such balance sheet profit includes the net income or loss for the year, plus any profit carried forward from the previous year, less any loss carried forward from the previous year, plus transfers from capital reserves and revenue reserves, less allocations to revenue reserves and any write-up of profit participation rights in the form of profit participation certificates (*Genussscheine*), all in compliance, and determined in accordance, with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)) and other applicable German law then in effect.

Luxembourg Stock Exchange means the Luxembourg Stock Exchange which is specified in the list of regulated markets issued by the EC.

Book Value of the Silent Contribution means the commercial law book value of the Silent Contribution as specified in the Bank's balance sheet for the Bank's fiscal year in which the Termination Date occurs. If, when drawing up the Bank's balance sheet for such fiscal year, it becomes evident that a

Entstehung eines Bilanzverlusts abzeichnet, so wird dieser Bilanzverlust anteilig nach Maßgabe des Beteiligungsvertrags vom Buchwert abgezogen.

Capital Securities hat die in § 2(1) festgelegte Bedeutung.

Clearing-System bezeichnet Clearstream Frankfurt.

Clearstream Frankfurt bezeichnet Clearstream Banking AG, Frankfurt am Main.

Darlehens-Auszahlung hat die in § 4(3) festgelegte Bedeutung.

Darlehensgeberin bezeichnet die Münchener Hypothekbank eG, oder jeden anderen Darlehensgeber, der die Verpflichtungen der Münchener Hypothekbank eG aus dem Darlehensvertrag ganz oder teilweise nach Maßgabe der Bestimmungen des Darlehensvertrages übernimmt.

Darlehensvertrag hat die in § 4(3) festgelegte Bedeutung.

Depotbank bezeichnet eine Bank oder ein sonstiges Finanzinstitut, das zum Betreiben des Wertpapierdepotgeschäfts berechtigt ist und bei dem der betreffende Emissionsgläubiger Capital Securities in einem Wertpapierdepot verwahren lässt und das ein Konto bei dem Clearing-System unterhält.

Einlagenennbetrag bezeichnet den Betrag von EUR [●] (Euro [●]).

Einzahlungsvertrag hat die in § 4(2) festgelegte Bedeutung.

Emissionsbedingungen bezeichnet diese Bedingungen der Capital Securities.

Emissionsgläubiger bezeichnet den Inhaber eines Miteigentumsanteils oder -rechts an der Globalurkunde oder, nach der Ausgabe effektiver Capital Securities, jeden Inhaber solcher effektiver Capital Securities.

Emittentin-Gesellschafter bezeichnet die Emittentin-Kommanditistin und die Emittentin-Komplementärin.

Emittentin-Kommanditistin bezeichnet Isar Funding I GmbH, eine nach deutschem Recht errichtete Gesellschaft mit beschränkter Haftung mit Sitz in München, Deutschland, die der Limited Partner der Emittentin nach Maßgabe des Limited Partnerships (Jersey) Law 1994, in der jeweils gültigen Fassung ist.

Emittentin-Komplementärin bezeichnet Isar Capital Funding I Limited, eine nach dem Recht von Jersey errichtete Gesellschaft mit beschränkter Haftung mit Sitz in Jersey, Kanalinseln, die der General Partner der Emittentin nach Maßgabe des Limited Partnerships (Jersey) Law 1994 in der jeweils gültigen Fassung ist.

Emittentin hat die in § 2(1) festgelegte Bedeutung.

Erste Gewinnperiode hat die in § 4(1)(b) festgelegte Bedeutung.

Euroclear bezeichnet Euroclear Bank SA/NV.

Fälligkeitstag bezeichnet jeden Tag, an dem nach Maßgabe des Beteiligungsvertrages eine Gewinnbeteiligungszahlung tatsächlich gezahlt wird.

Gesamtkennziffer hat die in § 2(6) der Verordnung über die angemessene Eigenmittelausstattung von Instituten, Institutgruppen und Finanzholding-Gruppen festgelegte Bedeutung.

Geschäftstag bezeichnet jeden Tag (außer einem Samstag oder Sonntag), an dem das Clearing-System und das Trans-European Automated Real-Time Gross Settlement

Balance Sheet Deficit would arise, a proportionate part of such balance sheet deficit will be deducted from the book value in accordance with the Participation Agreement.

Capital Securities has the meaning specified in § 2(1).

Clearing System means Clearstream Frankfurt.

Clearstream Frankfurt means Clearstream Banking AG, Frankfurt am Main.

Advance has the meaning specified in § 4(3).

Lender means Münchener Hypothekbank eG or any other lender assuming Münchener Hypothekbank eG's obligations under the Loan Agreement in whole or in part as provided for in the Loan Agreement.

Loan Agreement has the meaning specified in § 4(3).

Custodian means any bank or other financial institution authorised to engage in securities custody business with which the relevant Security Holder maintains a securities account in respect of any Capital Securities and which maintains an account with the Clearing System.

Nominal Contribution Amount means the amount of EUR [●] (Euro [●]).

Contribution Agreement has the meaning specified in § 4(2).

Terms and Conditions means these terms and conditions of the Capital Securities.

Security Holder means any holder of a proportional co ownership participation or right in the Global Security or, after the issuance of definitive Capital Securities, any holder of any such definitive Capital Security.

Issuer Partners means the Issuer Limited Partner and the Issuer General Partner.

Issuer Limited Partner means Isar Funding I GmbH, a limited liability company incorporated under the laws of Germany whose seat is in Munich, Germany and who is the limited partner of the Issuer within the meaning of the Limited Partnerships (Jersey) Law 1994, as amended.

Issuer General Partner means Isar Capital Funding I Limited, a limited liability company incorporated under the laws of Jersey whose registered office is at Jersey, Channel Islands, and who is the general partner of the Issuer within the meaning of the Limited Partnerships (Jersey) Law 1994, as amended.

Issuer has the meaning specified in § 2(1).

First Profit Period has the meaning specified in § 4(1)(b).

Euroclear means Euroclear Bank SA/NV.

Due Date means each date on which a Profit Participation Payment is actually paid under the Participation Agreement.

Solvency Ratio means "Gesamtkennziffer" as specified in § 2(6) of the German Regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups (Solvabilitätsverordnung).

Business Day means a day (other than a Saturday or a Sunday) on which both, the Clearing System and the Trans-European Automated Real-Time Gross Settlement

Express Transfer System 2 (TARGET 2) Zahlungen abwickeln.

Gewinnbeteiligung hat die in § 4(1)(a) festgelegte Bedeutung.

Gewinnbeteiligungszahlung hat die in § 4(1)(a) festgelegte Bedeutung.

Gewinnperiode hat die in § 4(1)(b) festgelegte Bedeutung.

Globalurkunde hat die in § 2(2) festgelegte Bedeutung.

Kapitaleinzahlung hat die in § 4(2) festgelegte Bedeutung.

Kapitalertragsteuer bezeichnet die nach Maßgabe von § 43 Einkommensteuergesetz einbehaltene Kapitalertragsteuer zuzüglich des Solidaritätszuschlags.

KWG bezeichnet das Gesetz über das Kreditwesen.

Nachfolgerin hat die in § 14(1) festgelegte Bedeutung.

Rückzahlungsbetrag bezeichnet den Buchwert der Stillen Einlage oder den Einlagenennbetrag, je nachdem, welcher Betrag niedriger ist.

Rückzahlungstag bezeichnet (i) den 30. Juni des Jahres, das auf das Geschäftsjahr der Bank folgt, in das der Beendigungstag fällt oder, falls dieser Tag kein Geschäftstag ist, den nächstfolgenden Geschäftstag oder, falls später, (ii) den ersten Geschäftstag nach Feststellung des Jahresabschlusses der Bank für das Geschäftsjahr der Bank, in das der Beendigungstag fällt, sowie jeden anderen Tag, an dem die Stille Einlage zur Rückzahlung fällig wird.

Sperrfrist hat die in § 2(2) festgelegte Bedeutung.

Steuererstattungsansprüche hat die in § 4(2) festgelegte Bedeutung.

Stille Einlage hat die in § 4(1) festgelegte Bedeutung.

Tilgungszahlung hat die in § 7(1) festgelegte Bedeutung.

U.S. Person bezeichnet eine *U.S. person* im Sinne des US amerikanischen Internal Revenue Code von 1986 in seiner jeweils gültigen Fassung.

Zahlstelle hat die in § 13(1) festgelegte Bedeutung.

Zinsberechnungsmethode bezeichnet die Berechnung von Zinsen für einen kürzeren Zeitraum als ein Jahr, indem die tatsächliche Anzahl von Tagen in dem betreffenden Zinsberechnungszeitraum durch die tatsächliche Anzahl von Tagen in der jeweiligen Zinsperiode dividiert wird (ICMA-Regelung 251).

Zinsperiode bezeichnet jeweils den Zeitraum vom 30. Juni eines Jahres (einschließlich) bis zum 30. Juni des Folgejahres (ausschließlich), wobei die erste Zinsperiode vom Ausgabetag (einschließlich) bis zum 30. Juni 2010 (ausschließlich) läuft und die letzte Zinsperiode vom 30. Juni (einschließlich) des Jahres läuft, in das der Beendigungstag fällt und am 30. Juni (ausschließlich) des Jahres endet, das auf das Jahr folgt, in das der Beendigungstag fällt.

Zinszahlung hat die in § 6(1) festgelegte Bedeutung.

Zusätzliche Beträge hat die in § 10 festgelegte Bedeutung.

§ 2

Stückelung; Verbriefung und Verwahrung; Übertragbarkeit

- (1) **Stückelung:** Die Emission der Capital Securities im Gesamtnennbetrag von EUR [●] (in Worten: Euro [●] Millionen) der Isar Capital Funding I Limited Partnership (**Emittentin**) ist eingeteilt in [●] untereinander

Express Transfer System 2 (TARGET 2) settle payments.

Profit Participation has the meaning specified in § 4(1)(a).

Profit Participation Payment has the meaning specified in § 4(1)(a).

Profit Period has the meaning specified in § 4(1)(b).

Global Security has the meaning specified in § 2(2).

Contribution Payment has the meaning specified in § 4(2).

German Withholding Tax means German withholding tax levied in accordance with § 43 German Income Tax Act plus the solidarity surcharge.

KWG means the German Banking Act.

Successor has the meaning specified in § 14(1).

Repayment Amount means the lower of the Book Value of the Silent Contribution and the Nominal Contribution Amount.

Repayment Date means the later of (i) 30 June following the fiscal year in which the Termination Date occurs or, if such day is not a Business Day, the next Business Day following such day, and (ii) the first Business Day after the Bank's annual financial statements are adopted for the fiscal year of the Bank in which the Termination Date occurs as well as any other date on which the Silent Contribution is due for repayment.

Restricted Period has the meaning specified in § 2(2).

Tax Repayment Claims has the meaning specified in § 4(2).

Silent Contribution has the meaning specified in § 4(1).

Redemption Payment has the meaning specified in § 7(1).

U.S. Person has the meaning specified in the United States Internal Revenue Code of 1986, as amended.

Paying Agent has the meaning specified in § 13(1).

Interest Calculation Method refers to the calculation of interest for a period of less than one year by dividing the actual number of days in the relevant calculation period by the actual number of days in the respective Interest Period (ICMA Rule 251).

Interest Period means each period from (and including) 30 June of each year to (but excluding) 30 June of the next following year, provided that the first Interest Period shall commence on (and include) the Issue Date and end on (but exclude) 30 June 2010 and that the last Interest Period shall commence on (and include) 30 June of the year in which the Termination Date occurs and end on (but exclude) 30 June of the year following the year in which the Termination Date occurs.

Coupon Payment has the meaning specified in § 6(1).

Additional Amounts has the meaning specified in § 10.

§ 2

Denomination; Form and Custody; Transferability

- (1) **Denomination:** The issue of the Capital Securities in the aggregate nominal amount of EUR [●] (in words: Euro [●] million) by Isar Capital Funding I Limited Partnership (**Issuer**) is divided into [●] notes, ranking *pari passu*

gleichrangige Teilschuldverschreibungen mit einem Nennbetrag von jeweils EUR 1.000 (die **Capital Securities**).

- (2) **Verbriefung:** Die Capital Securities werden durch eine auf den Inhaber lautende Globalschuldverschreibung (die **Globalurkunde**) ohne Zinsscheine verbrieft, die den bestehenden Usancen des Clearing-Systems entspricht.
- (3) **Effektive Capital Securities:** Falls die Emittentin (aus welchem Grund auch immer) rechtlich verpflichtet sein sollte, effektive Capital Securities auszugeben, oder falls Clearstream Frankfurt oder Euroclear für einen Zeitraum von 21 aufeinander folgenden Geschäftstagen für Geschäfte geschlossen bleiben oder die Absicht bekannt geben sollte, den Geschäftsverkehr auf Dauer aufzugeben und kein Ersatz-Clearing-System zur Verfügung stehen sollte, wird die Globalurkunde in effektive Capital Securities ausgetauscht. In diesem Fall werden Capital Securities in effektiven Inhaberkunden ausgegeben, die entweder mit Zinsscheinen versehen sind, oder bei denen der Nachweis der Zinszahlung auf einem Abschnitt der Urkunde vermerkt wird. Mit Ausnahme von den in den vorangegangenen Sätzen beschriebenen Fällen haben die Emissionsgläubiger kein Recht, die Ausgabe von effektiven Urkunden über einzelne Capital Securities und über Zinsscheine zu verlangen.
- (4) **Ausgabe und Verwahrung:** Die Globalurkunde ist nur wirksam, wenn sie die eigenhändige Unterschrift einer durch die Emittentin bevollmächtigten Person sowie die Unterschrift eines Kontrollbeauftragten der Zahlstelle trägt. Die Globalurkunde wird bei dem Clearing-System hinterlegt, bis sämtliche Verpflichtungen der Emittentin aus den Capital Securities erfüllt sind.
- (5) **Übertragbarkeit:** Den Emissionsgläubigern stehen Miteigentumsanteile oder -rechte an der Globalurkunde zu, die nach Maßgabe des anwendbaren Rechts und der jeweils geltenden Usancen des Clearing-Systems übertragen werden können.

§ 3

Status der Capital Securities

Die Capital Securities begründen unmittelbare, nicht nachrangige und (mit Ausnahme einer Sicherungsabtretung von Zahlungsansprüchen der Emittentin an einen zugunsten der Emissionsgläubiger handelnden Sicherheitstreuhänder) nicht besicherte bedingte Verbindlichkeiten der Emittentin und stehen im gleichen Rang untereinander und mindestens im gleichen Rang mit allen anderen gegenwärtigen und zukünftigen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin, soweit zwingendes Gesetzesrecht nichts anderes vorschreibt.

§ 4

Beteiligungsvertrag; Einzahlungsvertrag; Darlehensvertrag

- (1) **Beteiligungsvertrag:** Den Erlös aus der Ausgabe der Capital Securities wird die Emittentin ausschließlich zu dem Zweck verwenden, auf Grundlage eines zwischen ihr und der Bank am [●] 2009 abgeschlossenen Vertrages (**Beteiligungsvertrag**), der eine Vermögenseinlage der Emittentin bei der Bank in Höhe von EUR [●] (**Stille Einlage**) vorsieht, eine stille Beteiligung an dem Handelsgewerbe der Bank nach deutschem Recht zu begründen.

among themselves, in the nominal amount of EUR 1,000 each (the **Capital Securities**).

- (2) **Form:** The Capital Securities will be represented by a global bearer security (**Global Security**) without interest coupons, which shall correspond to the prevailing standard practices of the Clearing System.
- (3) **Definitive Capital Securities:** If, for any reason, the Issuer becomes legally obliged to issue Capital Securities in definitive form, or if either of Clearstream Frankfurt or Euroclear should be closed for business for a period of 21 consecutive Business Days or should announce an intention permanently to cease business and no substitute clearing system should be available, the Global Security will be exchanged for Capital Securities in definitive bearer form. In this case, Capital Securities in definitive bearer form will be issued which will either have coupons attached or have a grid for recording the coupon payments endorsed thereon. Other than as provided for in the immediately preceding sentences, the Security Holders shall have no right to require the issue of definitive certificates representing individual Capital Securities and interest coupons.
- (4) **Issuance and Custody:** The Global Security shall only be valid if it bears the hand written signature of a duly authorised representative of the Issuer and the control signature of a person instructed by the Paying Agent. The Global Security shall be deposited with the Clearing System, until the Issuer has satisfied and discharged all its obligations under the Capital Securities.
- (5) **Transferability:** The Security Holders will receive proportional co-ownership participations or rights in the Global Security that are transferable in accordance with applicable law and applicable standards of the Clearing System.

§ 3

Status of the Capital Securities

The Capital Securities constitute direct, unsubordinated and (except for a security assignment of payment claims of the Issuer to a security trustee acting for the benefit of the Security Holders) unsecured conditional obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present or future, save for mandatory exceptions prescribed by statutory law.

§ 4

Participation Agreement; Contribution Agreement; Loan Agreement

- (1) **Participation Agreement:** The proceeds of the issue of the Capital Securities will be used by the Issuer exclusively for the purpose of establishing a silent participation in the commercial enterprise of the Bank under German law pursuant to an agreement dated [●] 2009 between the Issuer and the Bank (**Participation Agreement**) providing for a capital contribution by the Issuer to the Bank in the amount of EUR [●] (**Silent Contribution**).

- (a) **Gewinnbeteiligungszahlungen:** Nach Maßgabe des Beteiligungsvertrags wird die Emittentin die Stille Einlage in Höhe von EUR [●] als Bareinlage an die Bank erbringen. Als Gegenleistung stehen der Emittentin Gewinnbeteiligungen (**Gewinnbeteiligungen**) zu, die jeweils jährlich nach Maßgabe des Beteiligungsvertrags auf Grundlage des Einlagenbetrages der Stillen Einlage in jedem Geschäftsjahr der Bank ermittelt und jährlich nachträglich ausgeschüttet werden (jeweils eine **Gewinnbeteiligungszahlung**).

Der Beteiligungsvertrag sieht vor, dass die Emittentin und die Bank für die letzte Gewinnperiode eine niedrigere Gewinnbeteiligung vereinbaren können, solange gewährleistet ist, dass die Emittentin über ausreichende Mittel verfügt, um (i) die am Tag der Gewinnbeteiligungszahlung fällige Zinszahlung auf die Capital Securities in voller Höhe zu zahlen und (ii) alle sonstigen gegenwärtigen und künftigen Verbindlichkeiten der Emittentin (einschließlich der erwarteten Kosten der Liquidation der Emittentin) zu erfüllen.

Sofern die Emittentin und die Bank in Bezug auf die letzte Gewinnperiode eine solche Vereinbarung schließen, wird die Emittentin – vorbehaltlich § 4(1)(d) und dem tatsächlichen Erhalt der Gewinnbeteiligungszahlung in der vereinbarten Höhe durch die Emittentin – so angesehen, als ob sie (für die Zwecke des § 6(1)) die volle Gewinnbeteiligung tatsächlich erhalten hat, die von der Bank ohne eine solche Vereinbarung in Bezug auf die letzte Gewinnperiode zu zahlen gewesen wäre.

- (b) **Gewinnperioden; Erste Gewinnperiode:** Nach Maßgabe des Beteiligungsvertrages fallen auf die Stille Einlage Gewinnbeteiligungen für Gewinnzeiträume (jeweils eine **Gewinnperiode**) an. Gewinnperioden laufen jeweils vom 1. Januar (einschließlich) bis 31. Dezember (einschließlich) eines Jahres. Die erste Gewinnperiode (**Erste Gewinnperiode**) beginnt am Ausgabetag (einschließlich) und endet am 31. Dezember 2009 (einschließlich). Die letzte Gewinnperiode läuft vom 1. Januar des Jahres, in das der Beendigungstag fällt, bis zum Beendigungstag (beide Tage einschließlich).
- (c) **Zahlungstage der Gewinnbeteiligungszahlungen:**
- Nach Maßgabe des Beteiligungsvertrages ist jede Gewinnbeteiligung am 30. Juni des Jahres, das dem Ablauf der maßgeblichen Gewinnperiode jeweils folgt oder, falls dieser Tag kein Geschäftstag ist, an dem nächstfolgenden Geschäftstag oder, falls der Jahresabschluss der Bank für das Geschäftsjahr, auf das sich die betreffende Gewinnperiode bezieht, am 29. Juni des Jahres, das dem Ablauf der betreffenden Gewinnperiode folgt, noch nicht festgestellt ist, an dem auf die Feststellung folgenden Geschäftstag fällig.
- (d) **Ausschluss von Gewinnbeteiligungen:** Nach Maßgabe des Beteiligungsvertrages ist eine Gewinnbeteiligung für eine Gewinnperiode (einschließlich der Ersten Gewinnperiode) ausgeschlossen:

- (a) **Profit Participation Payments:** Under the Participation Agreement, the Issuer will make the Silent Contribution in the form of a cash contribution of EUR [●] to the Bank. In return, the Issuer will earn profit participations (**Profit Participations**) calculated annually in accordance with the Participation Agreement on the basis of the Nominal Contribution Amount of the Silent Contribution for each fiscal year of the Bank and payable annually in arrear (each a **Profit Participation Payment**).

The Participation Agreement stipulates that the Issuer and the Bank may agree a lower Profit Participation for the last Profit Period subject to the Issuer having sufficient funds available to (i) make payment in full of the Coupon Payment on the Capital Securities due on the day of the last Profit Participation Payment and (ii) satisfy all other present and future obligations of the Issuer (including the expected costs of the liquidation of the Issuer).

If the Issuer and the Bank come to such an agreement in respect of the last Profit Period, subject to § 4(1)(d) and actual receipt by the Issuer of the Profit Participation Payment in the agreed amount, the Issuer will be deemed to have effectively received (for the purposes of § 6(1)) the full Profit Participation that would have been payable by the Bank in respect of the last Profit Period if no such agreement had been made.

- (b) **Profit Periods; First Profit Period:** Under the Participation Agreement, Profit Participations on the Silent Contribution accrue for profit periods (**Profit Periods**). Profit Periods run from (and including) 1 January to (and including) 31 December of a year. The first Profit Period (**First Profit Period**) commences on (and includes) the Issue Date and ends on (and includes) 31 December 2009. The last Profit Period runs from 1 January of the year in which the Termination Date occurs and ends on the Termination Date (both days inclusive).
- (c) **Payment Dates for Profit Participation Payments:**
- Under the Participation Agreement, each Profit Participation will be due on 30 June in the year following the end of the relevant Profit Period or, if that is not a Business Day, the next Business Day or, if the annual financial statements of the Bank for the fiscal year to which the relevant Profit Period relates have not been approved (*festgestellt*) by 29 June in the year following the end of the relevant Profit Period, on the Business Day following such approval.
- (d) **Exclusion of Profit Participations:** Under the Participation Agreement, a Profit Participation for a Profit Period (including the First Profit Period) is excluded:

- (i) soweit (jedoch nur in dem Maße wie) die Zahlung einer solchen Gewinnbeteiligung zu einem Bilanzverlust in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde; oder
 - (ii) falls der Buchwert der Stillen Einlage aufgrund von Verlusten der Bank in Vorjahren herabgesetzt und noch nicht vollständig durch in Folgejahren angefallene Gewinne aufgefüllt wurde; oder
 - (iii) wenn zu irgendeinem Zeitpunkt vor Auszahlung der Gewinnbeteiligung ein Antrag auf Eröffnung des Insolvenzverfahrens über das Vermögen der Bank aus Gründen der drohenden oder bestehenden Zahlungsunfähigkeit oder Überschuldung gestellt wurde oder die BaFin die ihr verliehenen Befugnisse gemäß §§ 45, 46, 46a und 47 KWG bzw. entsprechender Nachfolgebestimmungen ausgeübt hat; oder
 - (iv) falls die Gesamtkennziffer der Bank auf Institutsebene unter 9% liegt, soweit die Zahlung einer solchen Gewinnbeteiligung zu einem Jahresfehlbetrag (nach HGB) in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde.
- (e) **Rückzahlungsbetrag und -tag:** Nach Maßgabe des Beteiligungsvertrages zahlt die Bank der Emittentin am Rückzahlungstag den Rückzahlungsbetrag.
- (f) **Hinweis gemäß § 10(4) S.1 Ziff. 6 KWG:** Entsprechend den Vorgaben des KWG sieht der Beteiligungsvertrag vor, dass:
- (i) **Verbot nachträglicher Änderungen zum Nachteil der Bank:** nach seinem Abschluss (A) die Verlustbeteiligung der Emittentin nicht zum Nachteil der Bank verändert werden kann, (B) die Nachrangigkeit nicht eingeschränkt werden kann und (C) die Laufzeit sowie die Kündigungsfrist nicht verkürzt werden können; und
 - (ii) **Rückzahlungsverpflichtung:** ungeachtet anderweitiger Vereinbarungen Vorauszahlungen auf die Stille Einlage an die Bank zurückzuzahlen sind, es sei denn, (A) das Kapital wurde durch anderes mindestens gleichwertiges Eigenkapital ersetzt oder (B) die BaFin hatte der vorzeitigen Rückzahlung der Stillen Einlage zugestimmt.
- (g) **Vollständiger Beteiligungsvertrag:** Die Bestimmungen des Beteiligungsvertrags werden diesen Emissionsbedingungen sowie der Globalurkunde als Anlage beigefügt und bilden mit diesen jeweils eine Einheit. Eine Kopie des Beteiligungsvertrags in seiner jeweils gültigen Fassung liegt zur Einsichtnahme in der Geschäftsstelle der Zahlstelle aus.
- (h) **Änderungen des Beteiligungsvertrages:** Die Emittentin ist berechtigt, mit der Bank Änderungen des Beteiligungsvertrages zu verein-
- (i) if (but only to the extent that) a Profit Participation Payment would create or increase a Balance Sheet Deficit for the fiscal year of the Bank to which the relevant Profit Period relates; or
 - (ii) if the Book Value of the Silent Contribution has been reduced due to losses of the Bank in previous years and not yet fully replenished by profits from the following years; or
 - (iii) if, at any time prior to payment of such Profit Participation, an application for the institution of insolvency proceedings in respect of the assets of the Bank has been filed for reasons of threatened or actual illiquidity or overindebtedness, or the BaFin has made use of its powers vested by virtue of §§ 45, 46, 46a and 47 of the KWG or the relevant successor provisions; or
 - (iv) if the Bank's Solvency Ratio is below 9% on an unconsolidated basis, to the extent that payment of such Profit Participation would create or increase an annual loss (according to the German Commercial Code (*Handelsgesetzbuch*)) for the fiscal year of the Bank to which the relevant Profit Period relates.
- (e) **Repayment Amount and Date:** Under the Participation Agreement, the Bank will, on the Repayment Date, pay to the Issuer the Repayment Amount.
- (f) **Notice in Accordance with § 10(4) s.1 no. 6 KWG:** In accordance with the requirements of the KWG, the Participation Agreement provides that:
- (i) **Exclusion of Amendments to the Bank's Detriment:** subsequent to its execution, (A) the loss participation of the Issuer may not be amended to the Bank's detriment, (B) the subordination may not be limited and (C) neither the term nor the notice period may be shortened; and
 - (ii) **Recontribution Obligation:** any premature repayment of the Silent Contribution must be repaid to the Bank notwithstanding any agreement to the contrary, unless (A) the capital has been replaced by other own funds of at least equal quality or (B) the BaFin has agreed to the premature repayment of the Silent Contribution.
- (g) **Complete Participation Agreement:** The provisions of the Participation Agreement are attached to these Terms and Conditions and to the Global Security and shall be deemed to constitute one document herewith and therewith. A copy of the Participation Agreement, as amended from time to time, is available for inspection at the office of the Paying Agent.
- (h) **Amendments to the Participation Agreement:** The Issuer is entitled to agree with the Bank on amendments to the Participation Agreement if

baren, wenn solche Änderungen das wirtschaftliche Interesse der Emissionsgläubiger an dem Erhalt von Zinsen (§ 6) und Rückzahlungen (§ 7) nicht beeinträchtigen. Derartige Änderungen des Beteiligungsvertrages bedürfen nicht der Zustimmung der Emissionsgläubiger.

(2) **Einzahlungsvertrag:** Bei Zahlung von Gewinnbeteiligungszahlungen an die Emittentin und Wiederauffüllungen der Stillen Einlage nach einer Herabsetzung des Buchwerts der Stillen Einlage nach Maßgabe des Beteiligungsvertrages ist die Bank verpflichtet, Kapitalertragsteuer auf die ausgeschütteten bzw. zur Auffüllung verwendeten Beträge einzubehalten. Soweit diese Einbehalte nach deutschem Steuerrecht der Emittentin-Kommanditistin zuzurechnen sind, gelten sie als Vorauszahlungen auf die von der Emittentin-Kommanditistin geschuldete deutsche Einkommensteuer. In Bezug auf diese Vorauszahlungen geht die Emittentin-Kommanditistin davon aus, dass ihr gegenüber den deutschen Finanzbehörden Steuererstattungsansprüche zustehen (**Steuererstattungsansprüche**). In diesem Zusammenhang haben die Emittentin-Gesellschafter einen ergänzenden Gesellschaftervertrag (**Einzahlungsvertrag**) geschlossen, nach dem die Emittentin-Kommanditistin verpflichtet ist, der Emittentin sämtliche Beträge zu zahlen, die sie von den deutschen Steuerbehörden in Bezug auf Steuererstattungsansprüche erhält (jede solche Zahlung jeweils eine **Kapitaleinzahlung**).

(3) **Darlehensvertrag:** Steuererstattungsansprüche werden erst nach der steuerlichen Veranlagung der Emittentin-Kommanditistin für jedes einzelne Steuerjahr fällig. Demgemäß hat die Emittentin mit der Darlehensgeberin einen Darlehensvertrag abgeschlossen (**Darlehensvertrag**), nach dem die Emittentin Auszahlungen (jeweils eine **Darlehens-Auszahlung**) erhält, um ihre Verpflichtung zur Zahlung von Zinszahlungen an den jeweiligen Fälligkeitstagen in Höhe des Steuereinbehalts nachzukommen und die Stille Einlage nach einer Herabsetzung des Buchwerts der Stillen Einlage nach Maßgabe des Beteiligungsvertrages wieder aufzufüllen. Die Emittentin erwartet, die Darlehens-Auszahlungen mit den von der Emittentin-Kommanditistin als Kapitaleinzahlungen erhaltenen Geldern zurückzuführen.

Die Bestimmungen des Darlehensvertrages werden diesen Emissionsbedingungen sowie der Globalurkunde als Anlage beigefügt und bilden mit diesen jeweils eine Einheit. Eine Kopie des Darlehensvertrages in seiner jeweils gültigen Fassung liegt zur Einsichtnahme in der Geschäftsstelle der Zahlstelle aus.

§ 5

Leistungsversprechen der Emittentin; Rechtsverhältnisse

(1) **Bindung der Emittentin:** Die Capital Securities verbriefen die Verpflichtung der Emittentin, den Erlös aus der Ausgabe der Capital Securities zur Zahlung der Stillen Einlage zu verwenden und (i) die Gewinnbeteiligungszahlungen, (ii) den Rückzahlungsbetrag und eventuell darauf aufgelaufene Zinsen sowie (iii) die Darlehens-Auszahlungen zu verwenden, um ihre Zahlungsverpflichtungen gegenüber den Emissionsgläubigern nach Maßgabe dieser Emissionsbedingungen zu erfüllen. Vorbehaltlich § 6 ist die Emittentin unter keinen Umständen verpflichtet, Zahlungen an die Emissionsgläubiger zu leisten, wenn sie nicht zuvor die ihr nach Maßgabe des Beteiligungsvertrages oder des Darlehensvertrages zustehenden

such amendments do not affect the economic interest of the Security Holders in receiving Coupon Payments (§ 6) and Redemption Payments (§ 7). Such amendments to the Participation Agreement do not require the approval of the Security Holders.

(2) **Contribution Agreement:** Upon payment of Profit Participation Payments to the Issuer and replenishments of the Silent Contribution after a reduction of the Book Value of the Silent Contribution in accordance with the Participation Agreement, the Bank must withhold German Withholding Tax on the amounts distributed or used for replenishment. These withholdings, to the extent attributable to the Issuer Limited Partner in accordance with German tax laws, will be counted as prepayments towards the German income tax owed by the Issuer Limited Partner. In relation to such prepayments, the Issuer Limited Partner expects to be entitled to refund claims against the German tax authorities (**Tax Refund Claims**). In this context, the Issuer Partners entered into a supplementary partnership agreement (**Contribution Agreement**) under which the Issuer Limited Partner is required to pay to the Issuer all amounts that it receives from the German tax authorities on account of Tax Refund Claims (each such payment a **Contribution Payment**).

(3) **Loan Agreement:** Tax Refund Claims only become due after the Issuer Limited Partner's tax assessment for each tax year. Accordingly, the Issuer has entered into a loan agreement with the Lender (**Loan Agreement**) pursuant to which the Issuer is entitled to obtain advances (each an **Advance**) in order to fund its obligations to make Coupon Payments on the relevant Due Dates in the amount of the withholding or to fully replenish the Silent Contribution after a reduction of the Book Value of the Silent Contribution in accordance with the Participation Agreement. The Issuer expects to repay these Advances with the monies that it receives from the Issuer Limited Partner as Contribution Payments.

The terms of the Loan Agreement are attached to these Terms and Conditions and to the Global Security and shall be deemed to constitute one document herewith and therewith. A copy of the Loan Agreement, as amended from time to time, is available for inspection at the office of the Paying Agent.

§ 5

Issuer Commitment; Legal Relationships

(1) **Issuer Commitment:** The Capital Securities represent the Issuer's obligation to use the proceeds from the issue of the Capital Securities for the purpose of paying the Silent Contribution, and to use (i) the Profit Participation Payments, (ii) the Repayment Amount, including any interest accrued thereon, and (iii) the Advances to satisfy its payment obligations to the Security Holders under these Terms and Conditions. Subject to § 6, in no event will the Issuer be under any obligation to make payments to Security Holders without prior receipt of the relevant amounts due to the Issuer under the Participation Agreement or the Loan Agreement.

Beträge tatsächlich erhalten hat.

- | | |
|---|---|
| <p>(2) Kein Rechtsverhältnis zwischen Emissionsgläubigern und Bank: Durch den Beteiligungsvertrag und den Darlehensvertrag werden keine Rechte der Emissionsgläubiger gegenüber der Bank begründet.</p> <p>(3) Kein Rechtsverhältnis zwischen Emissionsgläubigern und Emittentin-Kommanditistin: Durch den Einzahlungsvertrag werden keine Rechte der Emissionsgläubiger gegenüber der Emittentin-Kommanditistin begründet.</p> | <p>(2) No Relationship between Security Holders and Bank: The Participation Agreement and the Loan Agreement do not create any rights for the Security Holders vis à vis the Bank.</p> <p>(3) No Relationship between Security Holders and Issuer Limited Partner: The Contribution Agreement does not create any rights for the Security Holders vis à vis the Issuer Limited Partner.</p> |
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§ 6 Zinszahlungen

- (1) **Fälligkeit:** An jedem Fälligkeitstag wird die Emittentin aus der jeweiligen Gewinnbeteiligungszahlung und Darlehens-Auszahlung, die die Emittentin jeweils tatsächlich von der Bank bzw. der Darlehensgeberin erhalten hat, Zinsen für die jeweilige Zinsperiode in Höhe von [●]% p.a. auf jede Capital Security (wobei der je Capital Security zahlbare Betrag jeweils auf den nächsten vollen Cent abzurunden ist) an die Emissionsgläubiger zahlen (jeweils eine **Zinszahlung**). Falls die von der Bank nach Maßgabe des Beteiligungsvertrages zahlbare Gewinnbeteiligungszahlung geringer ist als die maximale Gewinnbeteiligungszahlung, die nach Maßgabe des Beteiligungsvertrages an dem betreffenden Fälligkeitstag fällig werden könnte, reduziert sich der für die korrespondierende Zinsperiode maßgebliche Zinssatz auf den Nennbetrag der Capital Securities auf einen Zinssatz, der sich aus der Multiplikation des andernfalls zu zahlenden Zinssatzes mit der tatsächlich geschuldeten niedrigeren Gewinnbeteiligungszahlung, dieses Produkt dividiert durch diese maximale Gewinnbeteiligungszahlung, ergibt. Auf die einzelnen Capital Securities entfällt ein jeweils verhältnismäßiger Anteil aller vorstehend genannten zahlbaren Beträge (auf den nächsten vollen Cent abgerundet).
- (2) **Berechnung unterjähriger Zinszahlungen:** Zinszahlungen für einen Zeitraum von weniger als einem Jahr werden auf Grundlage der Zinsberechnungsmethode berechnet.
- (3) **Keine Nachzahlungsverpflichtung in Bezug auf Zinszahlungen:** Die Emittentin ist nicht verpflichtet, Zinszahlungen, die aufgrund von § 5(1) oder § 6(1) ausfallen oder weniger als [●]% p.a. ausmachen, nachzuholen.
- (4) **Kein Ausgleich bei verspäteter Zahlung:** Falls der Tag der Zahlung der Gewinnbeteiligungszahlung nach Maßgabe des Beteiligungsvertrages verschoben wird, erfolgt auf den insoweit nach dem jeweils vorgesehenen Zahlungstag gezahlten Betrag der Zinszahlung der maßgeblichen Gewinnperiode keine Zahlung von Zinsen oder von sonstigen Beträgen.
- (5) **Bekanntmachung:** Die Emittentin wird die Emissionsgläubiger und, soweit dies von einer Wertpapierbörse, an der die Capital Securities notiert sind, vorgesehen ist, diese Wertpapierbörse unverzüglich gemäß § 15 benachrichtigen, wenn ihr bekannt wird, dass Zinszahlungen auf die Capital Securities aufgrund von § 5(1) oder § 6(1) ganz oder teilweise ausfallen werden.

§ 6 Coupon Payments

- (1) **Payment:** Using the proceeds of the relevant Profit Participation Payment and/or Advance effectively received by the Issuer from the Bank or the Lender, as the case may be, from time to time, the Issuer shall pay interest on each Due Date in respect of the relevant Interest Period on each Capital Security to the Security Holders at the rate of [●] per cent. *per annum* (where the amount payable on each Capital Security shall be rounded down to the next full cent) (each a **Coupon Payment**). To the extent that the Profit Participation Payment to be made by the Bank pursuant to the Participation Agreement is lower than the maximum Profit Participation Payment which could have fallen due on the relevant Due Date under the Participation Agreement, the interest rate in respect of the relevant Interest Period on the nominal amount of the Capital Securities shall be reduced to an interest rate corresponding to the interest rate which would have been payable otherwise multiplied by the lower Profit Participation Payment actually owed, the product divided by such maximum Profit Participation Payment. A *pro rata* share of the above-mentioned amounts payable (rounded down to the next full cent) shall be allocated to each Capital Security.
- (2) **Calculation of short Coupon Payments:** Coupon Payments accrued for a period of less than one year shall be calculated pursuant to the Interest Calculation Method.
- (3) **No Obligation to Compensate for Coupon Payments:** The Issuer shall be under no obligation subsequently to compensate any Security Holder for Coupon Payments which are not made or amount to less than [●] per cent. *per annum* due to § 5(1) or § 6(1).
- (4) **No Compensation for Late Payment:** No interest or further amounts will accrue or be payable on Coupon Payments for a Profit Period which are paid after the scheduled payment date as a result of the postponement of the payment date of a Profit Participation Payment under the Participation Agreement.
- (5) **Notification:** The Issuer shall give prompt notice in accordance with § 15 to the Security Holders and, if required by a stock exchange on which the Capital Securities are listed, to such stock exchange if it becomes aware that any Coupon Payments on the Capital Securities will not be made in whole or in part due to § 5(1) or § 6(1).

§ 7 Rückzahlung

- (1) **Rückzahlung:** Am Rückzahlungstag wird die Emittentin (a) den Rückzahlungsbetrag, (b) ihr nach Maßgabe des Beteiligungsvertrags noch zustehende Gewinnbeteiligungszahlungen und (c) die Mittel aus diesbezüglichen Darlehens-Auszahlungen, die sie jeweils tatsächlich von der Darlehensgeberin erhalten hat, zur Rückzahlung der Capital Securities bzw. zur Zahlung aufgelaufener Zinsen auf die Capital Securities an die Emissionsgläubiger verwenden (**Tilgungszahlung**). Reichen die von der Bank als Rückzahlungsbetrag und Gewinnbeteiligungszahlung sowie die von der Darlehensgeberin als Darlehens-Auszahlung tatsächlich gezahlten Beträge nicht aus, um eine Zahlung in Höhe des Nennbetrags der Capital Securities sowie am Rückzahlungstag geschuldeter Zinsen zu leisten, vermindert sich Tilgungszahlung auf die Capital Securities entsprechend. Auf die einzelnen Capital Securities entfällt ein jeweils verhältnismäßiger Anteil aller vorstehend genannten zahlbaren Beträge (auf den nächsten vollen Cent abgerundet).
- (2) **Erlöschen der Zahlungspflichten:** Durch die Zahlung nach Maßgabe von § 7(1) an die Emissionsgläubiger gilt der Nennbetrag der Capital Securities als vollständig zurückgezahlt und alle Ansprüche der Emissionsgläubiger gegenüber der Emittentin gelten als erloschen.
- (3) **Bekanntmachung der Rückzahlung:** Die Emittentin wird jegliche Kündigung des Beteiligungsvertrages sowie den Beendigungstag und den Rückzahlungstag nach Maßgabe von § 15 gegenüber den Emissionsgläubigern mit einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen bekannt machen.

§ 8 Kündigung und Rückzahlung

- (1) **Kündigung und Rückzahlung nach Wahl der Emittentin:** Vorbehaltlich § 8(3) können die Capital Securities von der Emittentin insgesamt, jedoch nicht teilweise, durch Mitteilung nach Maßgabe des § 15 gegenüber den Emissionsgläubigern mit einer Frist von nicht weniger als 30 und nicht mehr als 60 Tagen zum 30. Juni eines jeden Jahres, erstmalig zum 30. Juni 2015, vorzeitig gekündigt und zum Nennbetrag zuzüglich aufgelaufener Zinsen zurückgezahlt werden.
- (2) **Vorzeitige Kündigung und Rückzahlung aus Steuergründen:** Vorbehaltlich § 8(3) können die Capital Securities insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen durch Erklärung gegenüber der Zahlstelle und Mitteilung nach Maßgabe des § 15 gegenüber den Emissionsgläubigern vorzeitig gekündigt und zum Nennbetrag zuzüglich aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften Jerseys oder der politischen Untergliederungen oder Steuerbehörden Jerseys oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Ausgabetag wirksam) am nächstfolgenden Fälligkeitstag zur Zahlung zusätzlicher Beträge verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen zumutbarer, der Emittentin zur Verfügung stehender Maßnahmen

§ 7 Redemption

- (1) **Repayment:** On the Repayment Date, the Issuer will use (a) the Repayment Amount, (b) any Profit Participation Payment due under the Participation Agreement and (c) any amounts from corresponding Advances effectively received by the Lender for the repayment of the Capital Securities and/or the payment of interest accrued on the Capital Securities to the Security Holders (**Redemption Payment**). To the extent that the amounts effectively paid by the Bank as the Repayment Amount and Profit Participation Payments and by the Lender as Advances are not sufficient to pay the nominal amount of the Capital Securities and interest falling due on the Repayment Date, the Redemption Payment shall be reduced accordingly. A *pro rata* share of the above amounts payable (rounded down to the next full cent) shall be allocated to the respective individual Capital Securities.
- (2) **Discharge of Payment Obligations:** Upon payment to the Security Holders in accordance with § 7(1), the nominal amount of the Capital Securities shall be deemed fully repaid and all claims of the Security Holders against the Issuer shall be deemed discharged.
- (3) **Notification of Repayment:** In accordance with § 15, the Issuer shall notify the Security Holders of any termination of the Participation Agreement and the Termination Date and the Repayment Date within a notice period of not less than 30 and not greater than 60 days.

§ 8 Termination and Repayment

- (1) **Termination and Repayment at the Option of the Issuer:** Subject to § 8(3), the Issuer may call the Capital Securities for redemption, in whole but not in part, with effect on 30 June of each year (however, with effect no earlier than 30 June 2015) and redeem the Capital Securities at their nominal amount plus any interest accrued, by giving not less than 30 and not more than 60 days' notice in accordance with § 15.
- (2) **Early Termination and Repayment for Tax Reasons:** If, as a result of any change in, or amendment to, the laws or regulations of Jersey or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, the application or official interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date, the Issuer is required to pay Additional Amounts on the next succeeding Due Date and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, and subject to § 8(3), the Capital Securities may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' and not less than 30 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Security Holders, at their nominal amount together with interest accrued to the date fixed for redemption. However, no such notice of redemption may be made (a) earlier than 90 days prior to the earliest date on which the Issuer

vermieden werden kann. Eine solche Kündigung darf allerdings nicht (a) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Capital Securities dann fällig sein würde, oder (b) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erklärt wird, die Verpflichtung zur Zahlung Zusätzlicher Beträge nicht mehr wirksam ist. Eine solche Kündigung ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt. Aufgelaufene Zinsen werden auf Grundlage der Zinsberechnungsmethode berechnet.

would be obliged to pay such Additional Amounts were a payment in respect of the Capital Securities then due or (b) if, at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect. Any such notice shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem. Interest accrued shall be calculated using the Interest Calculation Method.

- (3) **Eingeschränkte Zulässigkeit der Kündigung:** Die Kündigung der Capital Securities durch die Emittentin nach Maßgabe dieses § 8 ist nur zulässig, sofern die Finanzierung der jeweiligen Tilgungszahlung durch Ausgabe von Schuldverschreibungen oder auf andere Weise gesichert ist.

- (3) **Limited Permissibility of Termination:** Any termination of the Capital Securities by the Issuer in accordance with this § 8 is only permissible if financing of the Redemption Payment has been secured through the issuance of similar debt securities or in any other way.

§ 9 Zahlungen

- (1) **Befreiende Zahlung an das Clearing-System:** Die Emittentin verpflichtet sich, Zahlungen auf die Capital Securities bei Fälligkeit in Euro an die Zahlstelle zur Weiterleitung an das Clearing-System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber bei dem Clearing-System zu zahlen. Vorbehaltlich § 9(3) wird die Emittentin durch Leistung der Zahlung an das Clearing-System oder dessen Order in Höhe der geleisteten Zahlung von ihrer Zahlungspflicht befreit.
- (2) **Zahlung an Geschäftstagen:** Falls eine Zahlung auf die Capital Securities an einem Tag zu leisten ist, der kein Geschäftstag ist, so erfolgt die Zahlung am nächstfolgenden Geschäftstag. In diesem Fall steht den Emissionsgläubigern weder ein Zahlungsanspruch noch ein Anspruch auf Zinszahlungen oder eine andere Entschädigung wegen dieser Verzögerung zu.
- (3) **Zahlung bei effektiven Urkunden:** Für den Fall, dass effektive Urkunden über einzelne Capital Securities ausgegeben worden sind, erfolgen Zahlungen auf die Capital Securities gegen Vorlage und Aushändigung der betreffenden effektiven Urkunde (oder, allein im Falle von Teilzahlungen, durch Indossament), außer im Fall von Zinszahlungen, die gegen Vorlage und Aushändigung des betreffenden Zinsscheins (oder, allein im Falle von Teilzahlungen, durch Indossament) erfolgen, jeweils bei der Geschäftsstelle der Zahlstelle.

§ 10 Steuern

Sämtliche auf die Capital Securities zu zahlenden Beträge sind ohne Einbehalt oder Abzug an der Quelle von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder auf oder für Rechnung von Jersey oder einer politischen Untergliederung oder Steuerbehörde von Jersey durch Einbehalt oder Abzug an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug an der Quelle ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin, soweit sie die dafür erforderlichen Beträge tatsächlich von der Bank nach Maßgabe des Beteiligungsvertrages erhalten hat, diejenigen zusätzlichen Beträge (**Zusätzlichen Beträge**) zahlen, die erforderlich sind, damit die den Emissionsgläubigern

§ 9 Payments

- (1) **Discharge by Payment to the Clearing System:** The Issuer undertakes to pay, as and when due, amounts due on Capital Securities in Euro to the Paying Agent for onward payment to the Clearing System or to its order for credit to the relevant accountholders of the Clearing System. Subject to § 9(3), upon effecting the payment to the Clearing System or to its order, the Issuer shall be released from its payment obligation in the amount of the payment effected.
- (2) **Payment on Business Days:** If any payment of any amount with respect to Capital Securities is to be effected on a day other than a Business Day, payment shall be effected on the next following Business Day. In this case, the Security Holders shall neither be entitled to any payment claim nor to any interest claim or other compensation with respect to such delay.
- (3) **Payment on Definitive Certificates:** In the event that definitive certificates representing individual Capital Securities have been issued, payments of amounts due in respect of Capital Securities will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant definitive certificate, except that payments of interest will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant interest coupon, in each case at the office of the Paying Agent.

§ 10 Taxes

All amounts payable in respect of the Capital Securities shall be paid without withholding or deduction at source for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or in or for the account of Jersey or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction at source is required by law. In such event, the Issuer will, subject to receipt thereof from the Bank under the Participation Agreement, pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts received by the Security Holders, after such withholding or deduction, shall equal the respective amounts which would otherwise have been receivable by the

zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Emissionsgläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher Zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (1) auf andere Weise als durch Einbehalt oder Abzug von zahlbaren Beträgen zu entrichten sind; oder
- (2) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Emissionsgläubigers zu Jersey zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Capital Securities aus Quellen in Jersey stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (3) bei Zahlungen an Einzelpersonen einzubehalten oder abzuziehen sind, wobei diese Einbehalte und Abzüge gemäß der Richtlinie des Rates 2003/48/EG oder jeder anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge erfolgen, die die Beschlüsse der ECOFIN Versammlung vom 3. Juni 2003 umsetzt oder auf Grund eines Gesetzes, das aufgrund dieser Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um einer solchen Richtlinie nachzukommen; oder
- (4) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung nach Maßgabe von § 15 wirksam wird.

Die Verpflichtung der Emittentin zur Zahlung Zusätzlicher Beträge steht unter dem Vorbehalt, dass ihr zu diesem Zweck Mittel zur Verfügung stehen. Die Emittentin hat derzeit keine Vereinbarungen über die Beschaffung von Mitteln geschlossen, die zur Zahlung solcher Zusätzlicher Beträge erforderlich sind, und ihre Fähigkeit hierzu wird von der Zustimmung der Bank abhängen, zur gegebenen Zeit höhere Gewinnausschüttungen zur Deckung dieser Zusätzlichen Beträge zu zahlen.

§ 11

Kündigung durch Emissionsgläubiger

- (1) **Kündigungsgründe:** Jeder Emissionsgläubiger ist berechtigt, seine Capital Securities durch Erklärung gegenüber der Zahlstelle zu kündigen und deren Rückzahlung zum Nennbetrag zuzüglich aufgelaufener Zinsen auf seine Capital Securities bis zum Tag der tatsächlichen Rückzahlung zu verlangen, falls:
 - (a) Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag gemäß §§ 6 und 7 gezahlt wurden; oder
 - (b) die Emittentin die ordnungsgemäße Erfüllung einer sonstigen Verpflichtung aus den Capital Securities unterlässt und diese Unterlassung länger als 30 Tage andauert, nachdem die Zahlstelle hierüber eine Benachrichtigung von einem Emissionsgläubiger erhalten hat; oder
 - (c) die Emittentin ihre Zahlungen einstellt; oder
 - (d) die Emittentin ihre Zahlungsunfähigkeit bekannt gibt; oder
 - (e) die Emittentin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer

Security Holders in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (1) are payable otherwise than by withholding or deduction from amounts payable; or
- (2) are payable by reason of the Security Holder having or having had some personal or business connection with Jersey and not merely by reason of the fact that payments in respect of the Capital Securities are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, Jersey; or
- (3) are to be withheld or deducted from a payment to an individual, where such withholding or deduction is required to be made pursuant to the European Council Directive 2003/48/EC or any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (4) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due or is duly provided for and notice thereof is published in accordance with § 15, whichever occurs later.

The Issuer's obligation to pay Additional Amounts is subject to funds being available to it for that purpose. The Issuer has currently not entered into any arrangements to avail itself of funds required to pay any such Additional Amounts and its ability to do so will depend on the Bank's agreement, at the time, to pay higher profit distributions to cover such Additional Amounts.

§ 11

Termination by Security Holders

- (1) **Events of Default:** Each Security Holder shall be entitled to declare due and payable by notice to the Paying Agent its Capital Securities and demand immediate redemption thereof together with accrued interest (if any) on its Capital Securities to the date of repayment, in the event that:
 - (a) principal or interest have not been paid within 30 days from the relevant due date in accordance with §§ 6 and 7; or
 - (b) the Issuer fails to duly perform any other obligation arising under the Capital Securities and such failure continues for more than 30 days without cure after the Paying Agent has received notice thereof from a Security Holder; or
 - (c) the Issuer suspends its payments generally; or
 - (d) the Issuer announces its inability to meet its financial obligations; or
 - (e) the Issuer enters into liquidation, except in connection with a merger, consolidation or other

Verschmelzung, Konsolidierung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft oder im Zusammenhang mit einer Umwandlung, und diese andere oder neue Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin im Zusammenhang mit den Capital Securities eingegangen ist; oder

- (f) ein Gericht ein Insolvenzverfahren oder ein Vergleichsverfahren zur Abwendung der Insolvenz oder des Konkurses oder ein vergleichbares Verfahren über das Vermögen der Emittentin eröffnet, und ein solches Verfahren nicht innerhalb von 60 Tagen aufgehoben oder ausgesetzt wird, oder die Emittentin die Eröffnung eines solchen Verfahrens beantragt oder einleitet oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder trifft oder ein Dritter ein Insolvenzverfahren gegen die Emittentin beantragt und ein solches Verfahren nicht innerhalb einer Frist von 60 Tagen aufgehoben oder ausgesetzt wird.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde. Ein vollständiges oder teilweises Ausfallen von Zinszahlungen aufgrund von § 5(1) oder § 6(1) berechtigt nicht zu einer Kündigung nach diesem § 11(1)(a) oder (c).

- (2) **Quorum:** In den Fällen des § 11(1)(b), (c), und/oder (d) wird eine Kündigung, sofern nicht bei deren Eingang zugleich einer der in § 11(1)(a), (e) oder (f) bezeichneten Kündigungsgründe vorliegt, erst wirksam, wenn bei der Zahlstelle Kündigungserklärungen von Emissionsgläubigern im Gesamtnennbetrag von mindestens einem Zehntel des Gesamtnennbetrags der ausstehenden Capital Securities eingegangen sind.
- (3) **Benachrichtigung:** Eine Benachrichtigung oder Kündigung gemäß § 11(1) hat in der Weise zu erfolgen, dass der Emissionsgläubiger der Zahlstelle eine schriftliche Erklärung übersendet und dabei wie in § 16(3) vorgesehen nachweist, dass er im Zeitpunkt der Erklärung Inhaber der betreffenden Capital Securities ist.

§ 12 Vorlegungsfrist; Verjährung

Die Vorlegungsfrist gemäß § 801 (1) Satz 1 BGB für die Capital Securities wird auf zehn Jahre verkürzt. Die Verjährungsfrist für Ansprüche aus den Capital Securities, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre von dem Ende der betreffenden Vorlegungsfrist an.

§ 13 Zahlstelle

- (1) **Zahlstelle:** Die BNP Paribas Securities Services, Niederlassung Frankfurt ist die anfängliche Zahlstelle (**Zahlstelle**).
- (2) **Ersetzung der Zahlstelle:** Die Emittentin wird dafür sorgen, dass stets eine Zahlstelle vorhanden ist. Die Emittentin ist berechtigt, Banken von internationalem Ansehen als Zahlstelle zu bestellen. Die Emittentin ist weiterhin berechtigt, die Bestellung einer Bank zur Zahlstelle zu widerrufen. Im Falle einer solchen Abberufung oder, falls die bestellte Bank nicht mehr als Zahlstelle tätig werden kann oder will, bestellt die

form of combination with another entity or in connection with a reorganisation and such other or new entity assumes all obligations undertaken by the Issuer under or in connection with the Capital Securities; or

- (f) a court institutes insolvency proceedings or composition proceedings to avert insolvency or bankruptcy or similar proceedings against the assets of the Issuer and such proceedings are not discharged or stayed within 60 days, or the Issuer applies for institution of such proceedings in respect of its assets or offers or makes a general arrangement for the benefit of its creditors generally, or a third party applies for insolvency proceedings against the Issuer and such proceedings are not discharged or stayed within 60 days.

The right to declare Capital Securities due shall terminate if the cause for termination has been cured before the right is exercised. A full or partial default of Coupon Payments due to § 5(1) or § 6(1) shall not entitle a Security Holder to termination pursuant to § 11(1)(a) or (c).

- (2) **Quorum:** In the events specified in § 11(1)(b), (c), and/or (d), any notice declaring Capital Securities due shall, unless at the time such notice is received any of the events of default specified in § 11(1)(a), (e) or (f) has occurred, become effective only when the Paying Agent has received such notices from the Security Holders of at least one tenth of the aggregate nominal amount of Capital Securities then outstanding.
- (3) **Notice:** Any notice in accordance with § 11(1) shall be given by means of a written declaration delivered to the Paying Agent together with evidence in accordance with § 16(3) that such Security Holder, at the time of such written notice, is a holder of the relevant Capital Securities.

§ 12 Presentation Period; Prescription

The period for presentation of the Capital Securities (as provided for in § 801(1) sentence 1 of the German Civil Code) shall be reduced to ten years. The period of limitation for claims under the Capital Securities presented during the period for presentation shall be two years calculated from the expiration of the relevant presentation period.

§ 13 Paying Agent

- (1) **Paying Agent:** BNP Paribas Securities Services, Frankfurt Branch shall be the initial paying agent (**Paying Agent**).
- (2) **Replacement of Paying Agent:** The Issuer shall procure that there will at all times be a Paying Agent. The Issuer shall be entitled to appoint banks of international standing as Paying Agent. Furthermore, the Issuer shall be entitled to terminate the appointment of a bank as Paying Agent. In the event of such termination or such bank being unable or unwilling to continue to act as Paying Agent, the Issuer shall appoint another bank of international standing

Emittentin eine andere Bank von internationalem Ansehen als Zahlstelle. Die Emittentin wird sich, soweit möglich, darum bemühen, dass stets eine Zahlstelle mit Geschäftsstelle in einem Mitgliedsstaat der Europäischen Union vorhanden ist, die nicht verpflichtet ist, Steuern einzubehalten oder abzuziehen, die bei Zahlungen an Einzelpersonen einzubehalten oder abzuziehen sind, wobei diese Einbehalte und Abzüge gemäß der Richtlinie des Rates 2003/48/EG oder jeder anderen Richtlinie der Europäischen Union zur Besteuerung privater Zinserträge erfolgen, die die Beschlüsse der ECOFIN Versammlung vom 3. Juni 2003 umsetzt oder auf Grund eines Gesetzes, das aufgrund dieser Richtlinie erlassen wurde, ihr entspricht oder eingeführt wurde, um einer solchen Richtlinie nachzukommen. Jede solche Bestellung oder ein solcher Widerruf der Bestellung ist unverzüglich gemäß § 15 oder, falls dies nicht möglich sein sollte, in sonstiger Weise öffentlich bekannt zu machen.

as Paying Agent. The Issuer shall, to the extent possible, procure that it will at all times maintain a Paying Agent with an office in a European Union member state that will not be obliged to withhold or deduct tax from a payment to an individual, where such withholding or deduction is required to be made pursuant to the European Council Directive 2003/48/EC or any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 3 June 2003 or any law implementing or complying with, or introduced in order to conform to, such Directive. Any such appointment or termination shall be published without undue delay in accordance with § 15, or, should this not be possible, shall be published in another way.

- (3) **Haftung der Zahlstelle:** Die Zahlstelle haftet dafür, dass sie Erklärungen abgibt, nicht abgibt oder entgegennimmt oder Handlungen vornimmt oder unterlässt, nur, wenn und soweit sie die Sorgfalt eines ordentlichen Kaufmanns verletzt hat.
- (4) **Rechtsverhältnisse der Zahlstelle:** Die Zahlstelle ist in ihrer jeweiligen Funktion ausschließlich Beauftragte der Emittentin. Zwischen der Zahlstelle einerseits und den Emissionsgläubigern andererseits besteht kein Auftrags oder Treuhandverhältnis. Die Zahlstelle ist von den Beschränkungen des § 181 BGB und etwaigen gleichartigen Beschränkungen des anwendbaren Rechts anderer Rechtsordnungen befreit.

- (3) **Liability of Paying Agent:** The Paying Agent shall be held responsible for giving, failing to give or accepting a declaration, or for acting or failing to act, only if and insofar as it fails to act with the diligence of a conscientious businessman.
- (4) **Paying Agent Legal Matters:** The Paying Agent, acting in such capacity, acts only as agent of the Issuer. There is no agency or fiduciary relationship between the Paying Agent on the one hand and the Security Holders on the other hand. The Paying Agent shall be exempt from the restrictions set forth in § 181 German Civil Code and similar restrictions of other applicable laws of other jurisdictions.

§ 14 Ersetzung

- (1) **Ersetzung:** Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Emissionsgläubiger im Wege (i) der Abtretung bzw. Vertragsübernahme oder (ii) einer gesellschaftsrechtlichen Umstrukturierung eine andere Gesellschaft an ihrer Stelle als Hauptschuldnerin und Hauptgläubigerin (**Nachfolgerin**) für alle Verpflichtungen und Rechte aus und im Zusammenhang mit den Capital Securities, dem Beteiligungsvertrag und dem Einzahlungsvertrag sowie sonstigen, mit diesen Verträgen zusammenhängenden Verträgen einzusetzen; allerdings nur sofern:
- (a) sie sich nicht mit einer Zahlung auf die Capital Securities in Verzug befindet;
 - (b) die Nachfolgerin alle Rechte und Verpflichtungen der Emittentin in Bezug auf die Capital Securities übernimmt;
 - (c) die Emittentin und die Nachfolgerin alle erforderlichen Genehmigungen erhalten haben und berechtigt sind, die zur Erfüllung der Zahlungsverpflichtungen aus den Capital Securities zahlbaren Beträge in Euro zu zahlen, ohne verpflichtet zu sein, in dem Land, in dem die Nachfolgerin oder die Emittentin ihren jeweiligen Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;
 - (d) die Nachfolgerin sich verpflichtet hat, die Investoren hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die den

§ 14 Substitution

- (1) **Substitution:** The Issuer may, at any time and without the consent of the Security Holders, substitute by (i) assignment or contractual assumption or (ii) corporate restructuring another entity for the Issuer as principal debtor and creditor (**Successor**) in respect of all obligations and rights under and in connection with the Capital Securities, the Participation Agreement and the Contribution Agreement as well as any other agreements related thereto, provided that:
- (a) the Issuer is not in default of any payment owed under the Capital Securities;
 - (b) the Successor assumes all rights and obligations of the Issuer under the Capital Securities;
 - (c) the Issuer and the Successor have obtained all necessary permits and are authorised to comply with the payment obligations under the Capital Securities by paying the amounts due in Euro without being obliged to withhold or deduct applicable taxes or duties of any kind in the respective country in which the Successor or the Issuer is domiciled or resident for tax purposes;
 - (d) the Successor has agreed to indemnify the Security Holders against such taxes, duties or other governmental charges as may be imposed on the

Emissionsgläubigern bezüglich der Ersetzung auferlegt werden; und

- (e) die Ersetzung nicht zu einer erhöhten Belastung der (i) Nachfolgerin oder (ii) ihrer Anteilseigner (für den Fall einer Kapitalgesellschaft) bzw. Gesellschafter (für den Fall einer Personengesellschaft) mit Kapitalertrag- oder sonstiger Abzugsteuer, etwaiger Vermögensteuer oder der Gewerbeertrag- oder sonstiger Ertragsteuer führt; allerdings mit der Maßgabe, dass dieser § 14(1)(e) nicht untersagt, dass die Emittentin-Kommanditistin deswegen die Nachfolgerin wird, weil die Emittentin-Komplementärin ihren Anteil an der Emittentin an die Emittentin-Kommanditistin überträgt, wodurch der Emittentin-Kommanditistin sämtliche Vermögensgegenstände und Verbindlichkeiten der Emittentin anwachsen würden (in einem solchen Fall würde der Einzahlungsvertrag erlöschen und die Nachfolgerin würde die Darlehensauszahlungen unmittelbar mit den Zahlungen auf die Steuererstattungsansprüche zurückzahlen).

- (2) **Bekanntmachung der Ersetzung:** Jedwede Ersetzung gemäß diesem § 14 ist den Emissionsgläubigern unverzüglich nach Maßgabe von § 15 bekannt zu machen.

- (3) **Änderung von Bezugnahmen:** Im Fall einer Ersetzung gilt jedwede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgerin und jedwede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, als Bezugnahme auf das Land, in dem die Nachfolgerin ihren Sitz oder Steuersitz hat.

§ 15 Bekanntmachungen

- (1) **Mitteilungen über die Börse(n):** Solange die Capital Securities an einer Börse notiert sind und soweit es die Bestimmungen einer solchen Börse verlangen, erfolgen Bekanntmachungen an die Emissionsgläubiger in einer führenden Tageszeitung mit allgemeiner Verbreitung in der Rechtsordnung einer solchen Börse. Solange die Capital Securities an der Börse Luxemburg notiert werden und soweit die Börse Luxemburg dies verlangt, erfolgen Bekanntmachungen an die Emissionsgläubiger durch Veröffentlichung in einer führenden Zeitung mit genereller Verbreitung in Luxemburg oder durch Veröffentlichung auf der Internetseite der Börse Luxemburg (www.bourse.lu). Eine Mitteilung gilt mit dem Tag ihrer Veröffentlichung (oder bei mehreren Veröffentlichungen mit dem Tage der ersten Veröffentlichung) als erfolgt.
- (2) **Unmittelbare Mitteilungen:** Sofern die Regularien der Börse(n), an der bzw. denen die Capital Securities notiert sind, dies zulassen, ist die Emittentin berechtigt, Bekanntmachungen auch durch eine Mitteilung (per Post, Telefax oder auf elektronischem Weg) an das Clearing-System zur Weiterleitung an die Emissionsgläubiger oder direkt an die Emissionsgläubiger zu bewirken. Bekanntmachungen über das Clearing-System gelten sieben Tage nach der Mitteilung an das Clearing-System, direkte Mitteilungen an die Emissionsgläubiger mit ihrem Zugang als bewirkt.

Security Holders in connection with the substitution; and

- (e) the substitution does not result in an increase in German Investment Income Tax or any other withholding tax, any property tax (if applicable) trade income or any other income tax payable by (i) the Successor or (ii) its shareholders (if incorporated as a corporation) or partners (if established as a partnership); provided that this § 14(1)(e) shall not prevent the Issuer Limited Partner becoming the Successor by virtue of the Issuer General Partner transferring its interest in the Issuer to the Issuer Limited Partner as a consequence of which all of the Issuer's assets and liabilities would vest in the Issuer Limited Partner (in such a case, the Contribution Agreement would lapse and the Successor would repay the Advances directly with the amounts received on the Tax Repayment Claims).

- (2) **Notification of Substitution:** Any substitution in accordance with this § 14 shall be notified to Security Holders in accordance with § 15 hereof without undue delay.

- (3) **Change in Reference:** Upon substitution, any references in these Terms and Conditions to the Issuer shall forthwith be deemed to be references to the Successor, and any references to the country of domicile or tax residence of the Issuer shall forthwith be deemed to be references to the country of domicile or tax residence of the Successor; in each case with effect from the substitution date.

§ 15 Notices

- (1) **Notices to the Stock Exchange(s):** For as long as the Capital Securities are listed on one or more stock exchanges and to the extent the rules of such stock exchange(s) so require, notices to the Security Holders will be given by publication in a leading daily newspaper having general circulation in the jurisdiction of any such stock exchange. So long as any of the Capital Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, notices to the Security Holders will be given by the Issuer by publication in a leading newspaper with general circulation in Luxembourg or by publication on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice shall be deemed to be effected on the date of its publication (or, in case of several publications, on the date of its first publication).
- (2) **Direct Notices:** The Issuer shall also be entitled to give notices (by mail, telefax or electronically) to the Clearing System for communication by the Clearing System to the Security Holders or directly to the Security Holders provided that this complies with the rules of the stock exchange(s) on which the Capital Securities are listed. Notifications vis à vis the Clearing System shall be deemed to be effected seven days after the notification to the Clearing System, and direct notifications to the Security Holders shall be deemed to be effected upon

their receipt.

- (3) **Auslegung bei der Zahlstelle:** Die Texte sämtlicher Veröffentlichungen gemäß diesem § 15 sind außerdem in der Geschäftsstelle der Zahlstelle zugänglich zu machen.

- (3) **Display at the Paying Agent:** The text of any publication to be made in accordance with this § 15 shall also be available at the specified office of the Paying Agent.

§ 16 Schlussbestimmungen

- (1) **Anwendbares Recht:** Form und Inhalt der Capital Securities sowie die Rechte und Pflichten der Emissionsgläubiger, der Emittentin und der Zahlstelle bestimmen sich in jeder Hinsicht nach deutschem Recht und werden in Übereinstimmung damit ausgelegt.
- (2) **Gerichtsstand:** Jegliche aus oder im Zusammenhang mit den Capital Securities entstehenden Klagen oder Verfahren unterliegen der nichtausschließlichen Zuständigkeit des Landgerichts München.
- (3) **Geltendmachung von Ansprüchen:** Jeder Emissionsgläubiger kann in Rechtsstreitigkeiten gegen die Emittentin oder in Rechtsstreitigkeiten, an denen der Emissionsgläubiger und die Emittentin beteiligt sind, im eigenen Namen seine Rechte aus den ihm zustehenden Capital Securities unter Vorlage der folgenden Dokumente geltend machen:
- (a) einer Bescheinigung seiner Depotbank, die (i) den vollen Namen und die volle Anschrift des Emissionsgläubiger bezeichnet (ii) den Gesamtnennbetrag von Capital Securities angibt, die am Ausstellungstag dieser Bescheinigung dem bei dieser Depotbank bestehenden Wertpapierdepot dieses Emissionsgläubigers gutgeschrieben sind und (iii) bestätigt, dass die Depotbank dem Clearing-System und der Zahlstelle eine schriftliche Mitteilung gemacht hat, die die Angaben gemäß (i) und (ii) enthält und Bestätigungsvermerke des Clearing-Systems trägt; und
 - (b) einer von einem Vertretungsberechtigten des Clearing-Systems oder der Zahlstelle beglaubigten Ablichtung der Globalurkunde.
 - (c) Unbeschadet der Bestimmungen in § 16(3)(a) und (b) kann jeder Emissionsgläubiger seine Rechte aus den Capital Securities auch auf jede andere Weise schützen oder geltend machen, die im Land, in dem der Rechtsstreit eingeleitet wird, prozessual zulässig ist.
- (4) **Begebung weiterer Capital Securities:** Die Emittentin ist berechtigt, bis zum 31. Dezember 2009 (einschließlich) jederzeit und ohne Zustimmung der Emissionsgläubiger zur Refinanzierung einer Aufstockung der Stillen Beteiligung mit der Bank weitere Wertpapiere mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Begebungstages, des Beginns der Verzinsung und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit den Capital Securities eine einheitliche Serie von Wertpapieren bilden.
- (5) **Ersetzung von Capital Securities:** Falls die Globalurkunde oder effektive Urkunden über einzelne Capital Securities oder Zinsscheine verloren gehen, gestohlen, verstümmelt, beschädigt oder zerstört werden, können sie bei der Geschäftsstelle der Zahlstelle ersetzt werden, vorbehaltlich anwendbaren Rechts und

§ 16 Final Clauses

- (1) **Governing Law:** The form and content of the Capital Securities and the rights and duties of the Security Holders, the Issuer and the Paying Agent shall in all respects be governed by, and construed in accordance with, the laws of Germany.
- (2) **Jurisdiction:** The District Court in Munich shall have non exclusive jurisdiction for any action or other legal proceedings arising out of or in connection with the Capital Securities.
- (3) **Enforcement:** Any Security Holder may, in any proceedings against the Issuer or to which the Security Holder and the Issuer are parties, protect and enforce in its own name its rights arising under its Capital Securities upon presentation of the following documents:
- (a) a certificate issued by its Custodian (i) stating the full name and address of the Security Holder, (ii) specifying the aggregate nominal amount of Capital Securities credited on the date of such statement to such Security Holder's securities account maintained with its Custodian and (iii) confirming that its Custodian has given a written notice to the Clearing System and the Paying Agent containing the information specified in (i) and (ii) and bearing the acknowledgement of the Clearing System; and
 - (b) a copy of the Global Security, certified as being a true copy by a duly authorised officer of the Clearing System or by the Paying Agent.
 - (c) Without prejudice to the provisions of § 16(3)(a) and (b) any Security Holder may also protect and enforce its rights arising under the Capital Securities in any other manner permitted in legal proceedings in the country in which such legal proceedings are initiated.
- (4) **Issue of additional Capital Securities:** The Issuer may, at any time until (and including) 31 December 2009 and without the consent of the Security Holders, issue additional Capital Securities for the refinancing of an increase of the silent partnership with the Bank with identical terms and conditions (except for, as the case may be, the Issue Date, the commencement of interest accrual and/or the issue price) to form a single series of securities with the Capital Securities.
- (5) **Replacement of Capital Securities:** Any Global Security or definitive certificates representing individual Capital Securities or interest coupons which are lost, stolen, mutilated, defaced or destroyed may be replaced at the office of the Paying Agent, subject to all applicable laws and requirements of the stock exchange(s) on which the

Anforderungen der Börse(n), an der bzw. denen die Capital Securities notiert sind. Der Anspruchsteller erstattet diejenigen Kosten, die mit dem Austausch verbunden sind und die aus von der Emittentin in zumutbarer Weise geforderten Beweis, Sicherheits- und Freistellungsgründen angefallen sind.

Capital Securities are listed, upon payment by the claimant of the expenses incurred in connection with such replacement and subject to such terms as to evidence, security and indemnity as the Issuer may reasonably require.

(6) Teilunwirksamkeit: Sollte eine Bestimmung dieser Emissionsbedingungen ganz oder teilweise unwirksam oder unvollständig sein oder werden, so wird hierdurch die Wirksamkeit der übrigen Bestimmungen nicht berührt. Anstelle der unwirksamen oder unvollständigen Bestimmung tritt eine Regelung, die dem wirtschaftlichen Zweck der unwirksamen Bestimmung in rechtlich zulässiger Weise am nächsten kommt bzw. die Bestimmung in Übereinstimmung mit dem mutmaßlichen Parteiwillen so gut wie möglich ergänzt.

(6) Severability: Should any provision of these Terms and Conditions be or become invalid or incomplete in total or in part, the validity of the remaining provisions shall remain unaffected. The invalid or incomplete provision shall be replaced by such provision that achieves as closely as is legally possible the economic purpose of the invalid provision or best supplements the provision in accordance with the presumed intentions of the parties.

(7) Bindende Fassung: Die deutsche Fassung dieser Emissionsbedingungen ist bindend.

(7) Binding Version: The German version of these Terms and Conditions shall be the binding version.

DESCRIPTION OF THE PARTICIPATION AGREEMENT

THE GERMAN TEXT OF THE DESCRIPTION OF THE PARTICIPATION AGREEMENT IS LEGALLY BINDING. THE ENGLISH TRANSLATION IS FOR CONVENIENCE ONLY

Vertrag über die Errichtung einer stillen Gesellschaft

Agreement on the Establishment of a Silent Partnership

zwischen

between

Isar Capital Funding I Limited Partnership,

Isar Capital Funding I Limited Partnership,

eine nach dem Recht Jerseys gegründete
Kommanditgesellschaft (*limited partnership*), die durch ihren
Komplementär (*general partner*) Isar Capital
Funding I Limited handelt

a limited partnership established under the laws of Jersey acting
through its general partner Isar Capital Funding I Limited

(hereinafter called **Silent Partner**)

(nachstehend als **Stiller Gesellschafter** bezeichnet)

und

and

Münchener Hypothekbank eG,
Karl-Scharnagel-Ring 10,
80539 München

Münchener Hypothekbank eG,
Karl-Scharnagel-Ring 10,
80539 Munich

ein nach deutschem Recht errichtetes Kreditinstitut in der Form
einer eingetragenen Genossenschaft, eingetragen im
Genossenschaftsregister des Amtsgerichts München unter der
Nummer 396

a credit institution in the form of a registered cooperative
(*eingetragene Genossenschaft*) established under German law,
registered with the register of registered cooperatives
(*Genossenschaftsregister*) of the local court (*Amtsgericht*) in
Munich under registration number 396

(nachstehend als **Bank** bezeichnet)

(hereinafter called **Bank**)

Präambel

Preamble

Der Stille Gesellschafter und die Bank beabsichtigen die Errichtung einer stillen Gesellschaft nach deutschem Recht durch Beteiligung des Stillen Gesellschafters an dem Handelsgewerbe der Bank mit dem Ziel, dass die Einlage des Stillen Gesellschafters in der Bank auf Dauer als haftendes Eigenkapital (Kernkapital) dient. Der Stille Gesellschafter wird die aufgrund dieses Vertrages von ihm zu erbringende stille Einlage durch die Ausgabe von Teilschuldverschreibungen (die **Capital Securities**) refinanzieren. Die Emissionsbedingungen der Capital Securities sehen vor, dass der Stille Gesellschafter die Capital Securities mit Wirkung zum 30. Juni jedes Jahres (aber frühestens mit Wirkung zum 30. Juni 2015) zur Rückzahlung kündigen kann, wenn er die Rückzahlung durch die Ausgabe neuer Schuldverschreibungen (die **Refinanzierungsschuldverschreibungen**) sichergestellt hat. Jegliche Kündigung oder Rückzahlung der Capital Securities lässt den Bestand dieses Beteiligungsvertrages unberührt.

The Silent Partner and the Bank intend to establish a silent partnership in the commercial enterprise (*Handelsgewerbe*) of the Bank in the form of a silent partnership (*stille Gesellschaft*) under German law for the purpose of ensuring that the Silent Partner's contribution to the Bank is permanently treated as liable capital (core capital). The Silent Partner will refinance the silent contribution to be made available by it through the issue of notes (the **Capital Securities**). Pursuant to the terms and conditions of the Capital Securities, the Silent Partner is entitled to call the Capital Securities for redemption with effect on 30 June of each year (however, with effect no earlier than 30 June 2015), provided that the repayment of the Capital Securities has been ensured by the issue of new securities (the **Refinancing Securities**). Any termination or redemption of the Capital Securities does not affect the validity of this Participation Agreement.

Dies vorausgeschickt, vereinbaren die Parteien Folgendes:

Now, therefore, the parties agree as follows:

§ 1 Definitionen und Auslegung

Definitionen: Sofern aus dem Zusammenhang nicht etwas anderes hervorgeht, haben die nachstehenden Begriffe folgende Bedeutung:

Anfangsdatum bezeichnet den [●] 2009.

Andere Kernkapitalinstrumente bezeichnet (i) andere Kernkapitalinstrumente der Bank, (ii) nachrangige Garantien, Patronatserklärungen oder ähnliche von der Bank gestellte Sicherheiten bzw. Gewährleistungen für Kernkapitalinstrumente von Tochterunternehmen oder (iii) Kernkapitalinstrumente von Tochterunternehmen, deren Bedienbarkeit maßgeblich von der Ertrags- oder Vermögenssituation der Bank bestimmt wird. Für (iii) ist diejenige Zahlung maßgeblich, die an die Ertrags- oder Vermögenssituation der Bank in der jeweiligen Gewinnperiode anknüpft, für die die Gewinnbeteiligung ermittelt wird.

BaFin bezeichnet die Bundesanstalt für Finanzdienstleistungsaufsicht oder eine etwaige Nachfolgebehörde, die an deren Stelle tritt.

Beendigungstag bezeichnet den letzten Tag, an dem der Stille Gesellschafter an den Gewinnen und Verlusten der Bank als typischer stiller Gesellschafter beteiligt ist.

Ein **Bilanzverlust** liegt dann vor, wenn die nicht konsolidierte Jahresbilanz der Bank nach Prüfung durch eine von der BaFin anerkannte Wirtschaftsprüfungsgesellschaft keinen Bilanzgewinn für das Geschäftsjahr in Bezug auf die maßgebliche Gewinnbeteiligung ausweist, der nach Maßgabe der deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) ermittelt wurde. Der Bilanzgewinn schließt den Jahresüberschuss oder -fehlbetrag ein, *zuzüglich* des Gewinnvortrags aus dem Vorjahr, *abzüglich* des Verlustvortrags aus dem Vorjahr, *zuzüglich* der Entnahmen aus Kapital- und Ergebnissrücklagen, *abzüglich* Einstellungen in Ergebnissrücklagen und der Heraufschreibung von Genussscheinen, und zwar jeweils nach Maßgabe und in Übereinstimmung mit den deutschen handelsrechtlichen Rechnungslegungsvorschriften (einschließlich des HGB) sowie sonstigem zum maßgeblichen Zeitpunkt anwendbaren deutschen Recht.

Buchwert bezeichnet den handelsrechtlichen Buchwert der Stillen Einlage, so wie dieser in der Bilanz der Bank für das jeweilige Geschäftsjahr der Bank festgestellt wurde. Der anteilige Abzug eines Bilanzverlusts vom Buchwert bestimmt sich nach Maßgabe des § 6.

Capital Securities hat die in der Präambel festgelegte Bedeutung.

Einlagenennbetrag bezeichnet den in § 2(1) festgelegten Betrag.

Erste Gewinnperiode bezeichnet den Zeitraum vom Anfangsdatum (einschließlich) bis zum 31. Dezember 2009 (einschließlich).

§ 1 Definitions and Interpretation

Definitions: Unless the context requires otherwise, the following terms shall have the following meanings:

Start Date means [●] 2009.

Other Core Capital Instruments means (i) other core capital instruments of the Bank, (ii) subordinated guarantees, support undertakings or similar collateral provided by the Bank or warranties in respect of core capital instruments of Subsidiaries, or (iii) core capital instruments of Subsidiaries, the servicing of which significantly depends on the earnings or financial situation of the Bank. The relevant payment for the purpose of (iii) shall be the payment that is related to the earnings and financial situation of the Bank in the Profit Period for which the Profit Participation is determined.

BaFin means the German Federal Financial Supervisory Authority or any successor agency taking its place.

Participation Termination Date means the last day on which the Silent Partner participates in the profits and losses of the Bank as an ordinary silent partner.

There is a **Balance Sheet Deficit** (*Bilanzverlust*) if the annual unconsolidated balance sheet of the Bank, as audited by an auditing firm which is recognised by the BaFin, does not show a balance sheet profit (*Bilanzgewinn*) for the fiscal year to which the relevant Profit Participation relates that was determined in accordance with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)). Such balance sheet profit includes the net income or loss for the year, *plus* any profit carried forward from the previous year, *less* any loss carried forward from the previous year, *plus* transfers from capital reserves and revenue reserves, *less* allocations to revenue reserves and any write-up of profit participation rights in the form of profit participation certificates (*Genussscheine*), all in compliance, and determined in accordance, with the accounting principles generally accepted in the Federal Republic of Germany (including the German Commercial Code (*Handelsgesetzbuch*)) and other applicable German laws then in effect.

Book Value means the commercial law book value of the Silent Contribution as specified in the Bank's balance sheet for the Bank's relevant fiscal year. A proportionate part of a Balance Sheet Deficit shall be deducted from the book value in accordance with § 6.

Capital Securities has the meaning specified in the Preamble.

Nominal Contribution Amount means the amount specified in § 2(1).

First Profit Period means the period from (and including) the Start Date to (and including) 31 December 2009.

Gesamtkennziffer hat die in § 2(6) der Verordnung über die angemessene Eigenmittelausstattung von Instituten, Institutsgruppen und Finanzholding-Gruppen festgelegte Bedeutung.

Geschäftstag bezeichnet jeden Tag (außer einem Samstag oder Sonntag), an dem Clearstream Banking AG, Frankfurt am Main und das Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (TARGET 2) Zahlungen abwickeln.

Gewinnbeteiligung bezeichnet die in der jeweiligen Gewinnperiode aufgelaufene Gewinnbeteiligung.

Gewinnbeteiligungszahlung hat die in § 4(1)(b) festgelegte Bedeutung.

Gewinnperiode bezeichnet jeweils den Zeitraum vom 1. Januar (einschließlich) bis 31. Dezember (einschließlich) eines Jahres, wobei die erste Gewinnperiode am Anfangsdatum (einschließlich) beginnt und am 31. Dezember 2009 (einschließlich) endet und die letzte Gewinnperiode am 1. Januar des Jahres, in welches der Beendigungstag fällt (einschließlich), beginnt und am Beendigungstag (einschließlich) endet.

Herabsetzung bezeichnet jede Herabsetzung der Stillen Einlage nach § 6(1).

KWG bezeichnet das Gesetz über das Kreditwesen.

Refinanzierungsschuldverschreibungen hat die in der Präambel festgelegte Bedeutung.

Rückzahlungsbetrag bezeichnet den Buchwert oder den Einlagenennbetrag der Stillen Einlage, je nachdem, welcher Betrag niedriger ist.

Rückzahlungstag bezeichnet entweder (i) den 30. Juni des Jahres, das auf das Geschäftsjahr der Bank folgt, in das der Beendigungstag fällt bzw., falls dieser Tag kein Geschäftstag ist, den nächstfolgenden Geschäftstag oder (ii) falls am 29. Juni des maßgeblichen Geschäftsjahres der Bank der Jahresabschluss der Bank für das Geschäftsjahr, in das der Beendigungstag fällt, noch nicht festgestellt war, der auf den Tag der Feststellung folgende Geschäftstag, je nachdem, welches der spätere Zeitpunkt ist.

Stille Einlage hat die in § 2(1) festgelegte Bedeutung.

Tochterunternehmen sind Tochterunternehmen der Bank im Sinne von § 1 Abs. 7 KWG.

Zinsberechnungsmethode bezeichnet die Berechnung von Zinsen für einen kürzeren Zeitraum als ein Jahr, indem die tatsächliche Anzahl von Tagen im Berechnungszeitraum durch die tatsächliche Anzahl von Tagen in der jeweiligen Gewinnperiode dividiert wird (ICMA-Regelung 251).

Solvency Ratio means „Gesamtkennziffer“ as specified in § 2(6) of the German Regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups (*Solvabilitätsverordnung*).

Business Day means a day (other than a Saturday or a Sunday) on which both, Clearstream Banking AG, Frankfurt am Main and the Trans-European Automated Real-Time Gross Settlement Express Transfer System 2 (TARGET 2) settle payments.

Profit Participation means a profit participation accrued in any Profit Period.

Profit Participation Payment has the meaning specified in § 4(1)(b).

Profit Period means each period from (and including) 1 January to (and including) 31 December for each year, provided that the first Profit Period shall commence on (and include) the Start Date and end on (and including) 31 December 2009 and that the last Profit Period shall commence on (and including) 1 January of the year into which the Participation Termination Date falls and end on (and including) the Participation Termination Date.

Reduction means any reduction of the Silent Contribution pursuant to § 6(1).

KWG means the German Banking Act.

Refinancing Securities has the meaning specified in the Preamble.

Repayment Amount means the lower of the Book Value and the Nominal Contribution Amount of the Silent Contribution.

Repayment Date means the later of (i) 30 June of the year following the fiscal year of the Bank in which the Participation Termination Date occurs or, if such day is not a Business Day, the next Business Day following such day, or (ii) if, on 29 June of the relevant fiscal year of the Bank, the Bank's annual financial statements for the fiscal year in which the Participation Termination Date occurs have not been approved (*festgestellt*), the Business Day following such approval.

Silent Contribution has the meaning specified in § 2(1).

Subsidiaries means subsidiaries of the Bank within the meaning of § 1(7) KWG.

Interest Calculation Method means the calculation of interest for a period of less than one year by dividing the actual number of days in such period by the actual number of days in the respective Profit Period (ICMA Rule 251).

§ 2 Vertragsgegenstand

(1) **Stille Einlage:** Der Stille Gesellschafter ist ab dem Anfangsdatum an dem Handelsgewerbe der Bank als typischer stiller Gesellschafter mit einer Vermögenseinlage

§ 2 Subject Matter

(1) **Silent Contribution:** The Silent Partner participates as of the Start Date in the commercial enterprise (*Handelsgewerbe*) of the Bank as an ordinary silent partner

(**Stille Einlage**) in Höhe von EUR [●] (Euro [●] Millionen) (der **Einlagenennbetrag**) beteiligt.

- (2) **Einzahlung der Stillen Einlage:** Die Stille Einlage wird in bar erbracht und ist am Anfangsdatum vollständig zu leisten. Sie geht in das Vermögen der Bank über.

§ 3 Gewinnbeteiligung

- (1) **Allgemeines:** Als Gegenleistung für die Stille Einlage stehen dem Stillen Gesellschafter vom Anfangsdatum bis zum Beendigungstag Gewinnbeteiligungen zu, deren Höhe sich nach Maßgabe dieses § 3 bestimmt.
- (2) **Gewinnbeteiligung:** Dem Stillen Gesellschafter stehen nach Maßgabe dieser Bestimmungen und vorbehaltlich § 3(3) entsprechend der tatsächlichen Dauer der Kapitalüberlassung Gewinnbeteiligungen (i) in Höhe von EUR [●] für die Erste Gewinnperiode und (ii) in Höhe von [●]% p.a. auf den Einlagenennbetrag für jede nachfolgende Gewinnperiode zu. Der Stille Gesellschafter und die Bank können für die letzte Gewinnperiode eine niedrigere Gewinnbeteiligung vereinbaren, wenn gewährleistet ist, dass der Stille Gesellschafter über ausreichende Mittel verfügt, um (i) die am Tag der Gewinnbeteiligungszahlung planmäßig fällig werdende Zinszahlung auf die Capital Securities in voller Höhe zu zahlen und (ii) alle sonstigen gegenwärtigen und künftigen Verbindlichkeiten (einschließlich der erwarteten Kosten der Liquidation des Stillen Gesellschafters) zu erfüllen.

Begibt der Stille Gesellschafter Refinanzierungsschuldverschreibungen, die zu einem niedrigeren Zinssatz verzinst werden als die Capital Securities, reduziert sich der gemäß § 3(2)(ii) für die Berechnung der Gewinnbeteiligung des Stillen Gesellschafters maßgebliche Zinssatz um die Prozentpunkte p.a., die der Differenz zwischen den Zinssätzen der Capital Securities und der Refinanzierungsschuldverschreibungen (jeweils ausgedrückt in einem Prozentsatz p.a.), abzüglich eines Abschlags von 0,02 Prozentpunkten p.a. entspricht. Eine Erhöhung des für die Berechnung der Gewinnbeteiligung des Stillen Gesellschafters maßgeblichen Zinssatzes findet nicht statt.

- (3) **Ausschluss der Gewinnbeteiligung:** Eine Gewinnbeteiligung für eine Gewinnperiode (einschließlich der Ersten Gewinnperiode) ist ausgeschlossen:
- (a) soweit (jedoch nur in dem Maße wie) die Zahlung einer solchen Gewinnbeteiligung zu einem Bilanzverlust in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde; oder
- (b) falls der Buchwert der Stillen Einlage aufgrund von Verlusten der Bank in Vorjahren herabgesetzt und noch nicht vollständig durch in Folgejahren angefallene Gewinne aufgefüllt wurde; oder
- (c) wenn zu irgendeinem Zeitpunkt vor Auszahlung der Gewinnbeteiligung in Deutschland ein Antrag auf Eröffnung des Insolvenzverfahrens über das Vermögen der Bank aus Gründen der drohenden oder bestehenden Zahlungsunfähigkeit oder Überschuldung

with an asset contribution (**Silent Contribution**) in the amount of EUR [●] (Euro [●] million) (the **Nominal Contribution Amount**).

- (2) **Payment of Silent Contribution:** The Silent Contribution shall be made in cash. It shall be paid in full on the Start Date. It becomes part of the assets of the Bank.

§ 3 Profit Participation

- (1) **General:** In consideration for the Silent Contribution, the Silent Partner shall be entitled to Profit Participations from the Start Date to the Participation Termination Date in the amounts specified in this § 3.
- (2) **Profit Participation:** In accordance with these provisions and subject to § 3(3), based on the actual period of time for which the capital has been provided, the Silent Partner shall be entitled to Profit Participations (i) in the amount of EUR [●] for the First Profit Period and (ii) at a rate of [●] % p.a. on the Nominal Contribution Amount for each subsequent Profit Period. The Silent Partner and the Bank may agree a lower Profit Participation for the last Profit Period subject to the Silent Partner having sufficient funds available to (i) make payment in full of the scheduled coupon payment on the Capital Securities due on the day of the last Profit Participation Payment and (ii) satisfy all other present and future obligations of the Silent Partner (including the expected costs of the liquidation of the Silent Partner).

If the Silent Partner issues Refinancing Securities which bear interest at a lower rate than the Capital Securities, the applicable interest rate for the calculation of the Profit Participation of the Silent Partner pursuant to § 3(2)(ii) shall be reduced by the percentage points per annum equal to the difference between the interest rate applicable to the Capital Securities and interest rate applicable to the Refinancing Securities (in each case expressed as a percentage per annum) less 0.02 percentage points per annum. Under no circumstances shall there be a step-up of the interest rate applicable for the calculation of the Profit Participation for the Silent Partner.

- (3) **Profit Participations excluded:** Profit Participations for any Profit Period (including the First Profit Period) will not accrue:
- (a) if (and only to the extent that) a Profit Participation Payment would create or increase a Balance Sheet Deficit for the fiscal year of the Bank corresponding to the relevant Profit Period relates; or
- (b) if the Book Value of the Silent Contribution has been reduced due to losses of the Bank in previous years and not yet fully replenished by profits of the following years; or
- (c) if, at any time prior to payment of such Profit Participation, an application for the institution of insolvency proceedings in respect of the assets of the Bank has been filed in Germany for reasons of threatened or actual illiquidity or overindebtedness or

gestellt wurde oder die BaFin die ihr verliehenen Befugnisse gemäß §§ 45, 46, 46a und 47 KWG bzw. entsprechender Nachfolgebestimmungen ausgeübt hat; oder

the BaFin has made use of its powers vested by virtue of §§ 45, 46, 46a and 47 of the KWG or the relevant successor provisions; or

- (d) falls die Gesamtkennziffer der Bank auf Institutsebene unter 9 Prozent liegt, sofern die Zahlung der Gewinnbeteiligung zu einem Jahresfehlbetrag (gemäß HGB) in dem Geschäftsjahr der Bank, auf das sich die maßgebliche Gewinnperiode bezieht, führen oder diesen erhöhen würde.
- (d) if the Bank's Solvency Ratio is below 9% on an unconsolidated basis, to the extent that payment of such Profit Participation would result in or increase an annual loss (in accordance with the German Commercial Code (*Handelsgesetzbuch*)) for the fiscal year of the Bank to which the relevant Profit Period relates.
- (4) **Keine Nachzahlungsverpflichtung in Bezug auf ausgeschlossene Gewinnbeteiligungen:** Die Bank ist nicht verpflichtet, Gewinnbeteiligungen, die aufgrund von § 3(3) ganz oder teilweise ausgeschlossen sind, nachzuholen.
- (4) **No Obligation to Compensate for Profit Participations excluded:** The Bank shall be under no obligation subsequently to compensate for Profit Participations not accrued or not accrued in full pursuant to § 3(3).
- (5) **Berechnung unterjähriger Gewinnbeteiligungen:** Gewinnbeteiligungen für einen Zeitraum von weniger als einem Jahr werden auf Grundlage der Zinsberechnungsmethode berechnet.
- (5) **Calculation of short Profit Participations:** Profit Participations accrued for a period of less than one year shall be calculated pursuant to the Interest Calculation Method.

§ 4 Zahlung der Gewinnbeteiligung

§ 4 Profit Participation Payment

- (1) **Fälligkeit von Gewinnbeteiligungen:** Vorbehaltlich der Regelung in § 4(2) werden die Gewinnbeteiligungen am 30. Juni des Jahres, das dem Ablauf der maßgeblichen Gewinnperiode jeweils folgt oder, falls dieser Tag kein Geschäftstag ist, an dem nächstfolgenden Geschäftstag oder, falls der Jahresabschluss der Bank für das Geschäftsjahr, auf das sich die betreffende Gewinnperiode bezieht, am 29. Juni des Jahres, das dem Ablauf der betreffenden Gewinnperiode folgt, noch nicht festgestellt ist, an dem auf die Feststellung folgenden Geschäftstag (jeweils eine **Gewinnbeteiligungszahlung**) fällig.
- (1) **Payment of Profit Participations:** Subject to the provisions of § 4(2), each Profit Participation shall be due and payable on 30 June in the year following the end of the relevant Profit Period or, if that is not a Business Day, the next Business Day or, if the annual financial statements of the Bank for the fiscal year to which the relevant Profit Period relates have not been approved (*festgestellt*) by 29 June in the year following the end of the relevant Profit Period, on the Business Day following such approval (each a **Profit Participation Payment**).
- (2) **Kein Ausgleich bei verspäteter Zahlung:** Falls der Fälligkeitstag der Gewinnbeteiligungszahlung nach Maßgabe des § 4(1) verschoben wird, erfolgt auf den insoweit nicht gezahlten Betrag der Gewinnbeteiligungszahlung keine Zahlung von Zinsen und weiteren Beträgen an Gewinnbeteiligung.
- (2) **No Compensation for Late Payment:** No interest or further amounts of profit participations will accrue or be payable on Profit Participation Payments which are not paid due to the postponement of the payment date of a Profit Participation Payment under § 4(1).

§ 5 Rangstellung des Beteiligungsvertrages

§ 5 Ranking of Participation Agreement

Die Zahlungsverpflichtungen der Bank aufgrund dieses Beteiligungsvertrages:

The Bank's payment obligations under this Participation Agreement:

- (1) sind nachrangig gegenüber Forderungen aller bestehenden und künftigen Gläubiger der Bank (einschließlich Gewinnbeteiligungsrechte in Form von Genussscheinen gemäß des Gesetzes über das Kreditwesen und ggf. anderer Kapitalinstrumente des Ergänzungskapitals, sowie sonstiger nachrangiger Verbindlichkeiten gemäß § 10(5) und (5a) KWG);
- (1) are subordinated to the claims of all existing and future creditors of the Bank (including profit participation rights in the form of profit participation certificates (*Genussscheine*) and other upper tier 2 capital instruments, if any, and any other subordinated debt in accordance with § 10(5) and (5a) KWG);
- (2) sind (prozentual zum fälligen Betrag) mindestens gleichrangig mit allen Forderungen auf Rückzahlung von, und Zahlungen auf, Kapitaleinlagen, die in Bezug auf bestehende und künftige Gewinnbeteiligungen in Form von stillen Gesellschaften in die Bank eingebracht wurden,
- (2) rank at least *pari passu* (by percentage of the amount payable) with all claims for the repayment of, and distributions under, capital contributions made with respect to existing and future profit participations in the Bank in the form of silent participations and with other core capital

sowie mit anderen Kernkapitalinstrumenten, die gleichrangig mit stillen Gesellschaften sind; und

- (3) sind vorrangig vor allen Forderungen von Mitgliedern der Bank im Zusammenhang mit ihren Anteilen am Geschäftsguthaben der Bank;

soweit diese jeweils bereits begründet wurden oder in Zukunft begründet werden.

§ 6

Verlustbeteiligung, stille Reserven

- (1) **Verlustbeteiligung des Stillen Gesellschafters:** An einem Bilanzverlust nimmt der Stille Gesellschafter im Verhältnis des Buchwerts der Stillen Einlage zum Gesamtbuchwert aller am Verlust teilnehmenden Haftkapitalanteile der Bank teil.

Somit nehmen alle stillen Gesellschafter, alle Inhaber von Genussrechten oder Genussscheinen und alle Mitglieder der Bank am Bilanzverlust mit dem gleichen Prozentsatz des Buchwertes ihrer Einlagen bzw. ihrer Rückzahlungsansprüche oder des sonstigen ausgewiesenen Eigenkapitals teil.

Wenn sich bei Aufstellung der Bilanz der Bank ergibt, dass ein Bilanzverlust entstehen würde, so wird dieser Bilanzverlust nach Maßgabe dieses § 6(1) anteilig vom Buchwert abgezogen (eine **Herabsetzung**).

- (2) **Begrenzung der Verlustbeteiligung auf Vermögenseinlage:** Die Gesamtverlustbeteiligung des Stillen Gesellschafters am Bilanzverlust ist auf den Einlagenennbetrag beschränkt.

- (3) **Gutschrift nach Verlustbeteiligung:** Nach einer Herabsetzung wird die Stille Einlage in jedem der Herabsetzung nachfolgenden Geschäftsjahr der Bank (bis zum Beendigungstag) bis zur vollständigen Höhe des Einlagenennbetrages wieder hochgeschrieben, soweit hierdurch kein Bilanzverlust entsteht oder erhöht würde.

Die Rückführung der Stillen Einlage nach einer Herabsetzung geht der Rückführung des Geschäftsguthabens und Einstellungen in Rücklagen vor. Die Rückführung des Buchwerts der Stillen Einlage erfolgt gleichrangig mit der Rückführung anderer stiller Beteiligungen, jedoch erst, nachdem der Buchwert der von der Bank ausgegebenen und am Verlust teilnehmenden Genussrechte und Genussscheine vollständig zurückgeführt wurde.

- (4) **Stille Reserven:** Auf die vor oder während der Laufzeit der stillen Gesellschaft gebildeten stillen Reserven hat der Stille Gesellschafter kein Anrecht.
- (5) **Keine Pflicht zur Aufdeckung stiller Reserven und bilanzieller Rücklagen:** Die Bank ist nicht verpflichtet, zur Vermeidung eines Bilanzverlusts stille Reserven aufzudecken oder bilanzielle Rücklagen aufzulösen.

instruments ranking *pari passu* with silent partnerships; and

- (3) rank senior to all claims of members of the Bank in connection with their participation in the members' capital contributions of the Bank;

in each case as already arisen or arising in the future.

§ 6

Sharing in Losses, Hidden Reserves

- (1) **Silent Partner's Sharing in Losses:** The Silent Partner shall share in a Balance Sheet Deficit in the proportion which the Book Value of the Silent Contribution bears in relation to the aggregate book value of all loss-sharing components of the Bank's liable capital.

Hence, all silent partners, all holders of profit participation rights in the form of *Genussrechte* or profit participation certificates (*Genussscheine*) and all members of the Bank shall share in a Balance Sheet Deficit with the same percentage of the book value of their contributions and/or repayment claims or the other stated own funds, respectively.

If, when drawing up the Bank's balance sheet, it becomes evident that a Balance Sheet Deficit would arise, such Balance Sheet Deficit shall be deducted pro rata from the Book Value in accordance with this § 6(1) (a **Reduction**).

- (2) **Limitation of Sharing in Losses to Capital Contribution:** The Silent Partner's aggregate participation in a Balance Sheet Deficit shall be limited to the Nominal Contribution Amount.

- (3) **Replenishment after Reduction:** After a Reduction, the Silent Contribution shall, in each fiscal year of the Bank following such Reduction (until the Participation Termination Date), be replenished up to the full Nominal Contribution Amount, but only if and to the extent such replenishment would not cause or increase a Balance Sheet Deficit.

The replenishment of the Silent Contribution after a Reduction ranks prior to the replenishment of the members' capital contributions and to allocations to reserves. The replenishment of the Book Value of the Silent Contribution shall be effected in the same priority as the replenishment of other silent contributions but only after the book value of profit participation rights (*Genussrechte* and profit participation certificates (*Genussscheine*)) issued by the Bank that also share in its losses has been completely restored.

- (4) **Hidden Reserves:** The Silent Partner shall not be entitled to a share in the Bank's hidden reserves built up prior to or during the term of the silent partnership.

- (5) **No Obligation to Realise Hidden Reserves and On-Balance Sheet Reserves:** The Bank shall not be obliged to realise hidden reserves or to make withdrawals from on-balance sheet reserves in order to avoid a Balance Sheet Deficit.

§ 7

Dauer der stillen Gesellschaft, Kündigung

- (1) **Unbestimmte Laufzeit:** Dieser Beteiligungsvertrag wird auf unbestimmte Zeit abgeschlossen.
- (2) **Kündigung durch den Stillen Gesellschafter:** Der Stille Gesellschafter kann diesen Beteiligungsvertrag nicht kündigen.
- (3) **Ordentliche Kündigung durch die Bank:** Die Bank kann diesen Beteiligungsvertrag gegenüber dem Stillen Gesellschafter mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen zum Ende eines Geschäftsjahrs der Bank kündigen, wobei eine ordentliche Kündigung keinesfalls vor dem 31. Dezember desjenigen Kalenderjahres, in das die fünfte volle Gewinnperiode nach Ablauf der Ersten Gewinnperiode fällt, wirksam wird. Das Recht zur ordentlichen Kündigung darf die Bank nur ausüben, wenn der Buchwert zum Zeitpunkt der Kündigungserklärung den Einlagenennbetrag nicht unterschreitet.
- (4) **Außerordentliche Kündigung durch die Bank aus aufsichtsrechtlichen oder steuerlichen Gründen:** Die Bank ist berechtigt, diesen Beteiligungsvertrag unbeschadet § 7(3) mit Wirkung zum Ende eines Geschäftsjahrs der Bank jederzeit unter Einhaltung einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber dem Stillen Gesellschafter außerordentlich zu kündigen, wenn eine wesentliche und für die Bank nachteilige Veränderung steuerlicher oder aufsichtsrechtlicher Vorschriften gemäß § 12 eintritt. Eine außerordentliche Kündigung darf frühestens zum 31. Dezember 2014 erfolgen. Das Recht zur außerordentlichen Kündigung darf die Bank nur ausüben, wenn der Buchwert zum Zeitpunkt der Kündigungserklärung den Einlagenennbetrag nicht unterschreitet.

Sollte der Beendigungstag aus irgendeinem Grund auf einen anderen Tag als einen 31. Dezember fallen, steht dem Stillen Gesellschafter – vorbehaltlich eines Ausschlusses nach § 3(3) – für die Gewinnperiode, in die der Beendigungstag fällt, eine Gewinnbeteiligungszahlung zu, die auf Grundlage der Anzahl der Tage vom 1. Januar dieser Gewinnperiode (einschließlich) bis zum Beendigungstag (einschließlich) anhand der Zinsberechnungsmethode berechnet wird. In diesem Fall steht dem Stillen Gesellschafter zusätzlich ein nicht gewinnabhängiger Zinsanspruch für den Zeitraum bis zum 31. Dezember des Jahres, in das der Beendigungstag fällt, zu. Der Zinsanspruch errechnet sich durch Multiplikation des Einlagenennbetrags (bzw. eines geringeren Buchwerts der Stillen Einlage) mit dem maßgeblichen Zinssatz (§ 3(2)) multipliziert mit der Anzahl der Tage von dem dem Beendigungstag unmittelbar folgenden Tag (einschließlich) bis zum darauffolgenden 31. Dezember (einschließlich) dividiert durch den gemäß der Zinsberechnungsmethode ermittelten Nenner. Dieser Zinsanspruch wird an demselben Tag fällig, an dem die bis zum Beendigungstag entstandene Gewinnbeteiligung nach Maßgabe von § 4(1) fällig wird. Für den Zeitraum nach dem 31. Dezember des Jahres, in das der Beendigungstag fällt, bis zum Rückzahlungstag steht dem Stillen Gesellschafter kein Anspruch auf eine Gewinnbeteiligung oder eine Zinszahlung zu.

§ 7

Duration of the Silent Partnership, Termination

- (1) **Indefinite Term:** This Participation Agreement shall remain in effect for an indefinite term.
- (2) **Termination by Silent Partner:** The Silent Partner may not terminate this Participation Agreement.
- (3) **Ordinary Termination by the Bank:** The Bank may only terminate this Participation Agreement upon giving not less than 30 and not more than 60 days' prior notice to the Silent Partner with effect as of the end of any given fiscal year of the Bank, provided that no ordinary termination shall be effective earlier than 31 December of the calendar year in which the fifth complete Profit Period following the expiry of the First Profit Period falls. The Bank may exercise this ordinary termination right only if the Book Value at the time of the termination notice is not less than the Nominal Contribution Amount.
- (4) **Extraordinary Termination by the Bank for Regulatory or Tax Reasons:** Notwithstanding § 7(3), the Bank may terminate this Participation Agreement with effect as of the end of any given fiscal year of the Bank at any time upon giving not less than 30 and not more than 60 days' prior notice to the Silent Partner if a change in the tax or supervisory environment referred to in § 12 has occurred which is material and adverse to the Bank. No exceptional termination may become effective prior to 31 December 2014. The Bank may exercise this extraordinary termination right only if the Book Value at the time of the termination notice is not less than the Nominal Contribution Amount.

If, for any reason, the Participation Termination Date falls on a day other than a 31 December, the Silent Partner shall – subject to an exclusion in accordance with § 3(3) – be entitled to a Profit Participation Payment for the Profit Period in which the Participation Termination Date occurs, which shall be determined in accordance with the Interest Calculation Method on the basis of the number of days from (and including) 1 January of the relevant Profit Period to (and including) the Participation Termination Date. In such case, the Silent Partner shall be entitled to an additional non-participating interest payment for the period until 31 December of the year in which the Participation Termination Date occurs. The interest payment shall be calculated by multiplying the Nominal Contribution Amount (or, if lower, the Book Value of the Silent Contribution) by the interest rate (§ 3(2)) multiplied by the number of days from (and including) the day immediately following the Participation Termination Date until (and including) the immediately following 31 December divided by such denominator as determined in accordance with the Interest Calculation Method. This interest payment shall become due and payable on the day on which the Profit Participation which has accrued until the Participation Termination Date falls due in accordance with § 4(1). For the period after 31 December of the year in which the Participation Termination Date occurs until the Repayment Date, the Silent Partner shall not be entitled to Profit

Participations or additional interest payments.

- (5) **Schriftliche Kündigung:** Jede Kündigung bedarf der Schriftform.
- (6) **Zustimmung der BaFin zu Kündigungen:** Kündigungen dieses Beteiligungsvertrages werden erst wirksam, wenn die BaFin der Kündigungserklärung zugestimmt hat.
- (7) **Rückzahlungsbetrag und -tag:** Am Rückzahlungstag zahlt die Bank an den Stillen Gesellschafter den Rückzahlungsbetrag zuzüglich der bis zum Beendigungstag (einschließlich) bereits angefallenen Gewinnbeteiligungen sowie einer etwaigen zusätzlichen Verzinsung gemäß § 7(4).
- (8) **Ausschluss der Kündigung aufgrund bestimmter Ereignisse:** Von Fusionen, (Teil-) Vermögensübertragungen, Änderungen der Rechtsform oder des Geschäftsguthabens der Bank bleibt die stille Gesellschaft unberührt.
- (9) **Insolvenz/Liquidation:** Im Falle der Insolvenz oder Liquidation der Bank wird eine Barabfindung für die Stille Einlage erst nach Befriedigung aller Gläubiger der Bank einschließlich der Inhaber von Genussscheinen sowie der Gläubiger von nachrangigem Haftkapital gemäß § 10(5a) KWG, jedoch vor der Rückzahlung von Kapital an die Mitglieder gezahlt.
- (10) **Ausschluss des Kündigungsrechts des Stillen Gesellschafters:** Falls der Ausschluss des Kündigungsrechts des Stillen Gesellschafters gemäß § 7(2) unwirksam sein sollte, ist die Kündigung dieses Beteiligungsvertrages durch den Stillen Gesellschafter und/oder die Rückzahlung der Stillen Einlage nur nach Zustimmung der BaFin zulässig, mit der Maßgabe, dass eine solche Kündigung nicht vor dem 31. Dezember 2039 wirksam wird. Ist auch die Bindung der Kündigung an die Zustimmung der BaFin unwirksam, kann der Stille Gesellschafter mit einer Frist von zwei Jahren zum 31. Dezember eines Jahres, jedoch erstmals zum 31. Dezember 2039 kündigen.
- (11) **Nachträgliche Herabsetzung des Buchwertes der Stillen Einlage:** Kommt es zwischen dem Zeitpunkt der Kündigung dieses Beteiligungsvertrages und dem Beendigungstag infolge einer Verlustbeteiligung nach § 6(1) zu einer Herabsetzung, die am Rückzahlungstag nicht voll ausgeglichen ist, setzt sich die Stille Beteiligung zu den Bestimmungen des Vertrages fort. In diesem Fall ist der Beendigungstag der 31. Dezember, der auf die vollständige Gutschrift der Stillen Einlage bis zur vollständigen Höhe des Einlagenbetrags folgt.
- (5) **Notice in Writing:** Any notice of termination hereunder must be in writing.
- (6) **BaFin Approval of Terminations:** No notice of termination under this Participation Agreement shall become effective without the BaFin's prior approval thereof.
- (7) **Repayment Amount and Date:** On the Repayment Date, the Bank will pay to the Silent Partner the Repayment Amount plus Profit Participations accrued until (and including) the Participation Termination Date and plus any additional interest pursuant to § 7(4).
- (8) **No termination by virtue of certain events:** The silent partnership shall remain unaffected in the case of a merger, a transfer of assets (whether a transfer of the whole or any part), a change in legal form of the Bank or a change of the Bank's members' capital.
- (9) **Insolvency/Liquidation:** In case of the Bank's insolvency or liquidation, a cash settlement in respect of the Silent Contribution shall only be paid after satisfaction of all creditors of the Bank, including the holders of profit participation rights in the form of profit participation certificates (*Genussscheine*) and creditors of subordinated capital in accordance with § 10(5a) KWG, but will be paid prior to any repayment of capital to the members.
- (10) **Exclusion of Silent Partner's Termination Right:** If the exclusion of the Silent Partner's termination right under § 7(2) should be invalid, the termination of this Participation Agreement by the Silent Partner and/or the repayment of the Silent Contribution shall be permissible only upon the BaFin's prior approval, provided that no such termination shall become effective prior to 31 December 2039. If the requirement of the BaFin's prior approval should be invalid, the Silent Partner shall be entitled to terminate this Participation Agreement by giving two years' prior notice effective as of 31 December of any year but in no event with effect as of any date prior to 31 December 2039.
- (11) **Subsequent Reduction of Book Value of the Silent Contribution:** If there occurs a Reduction pursuant to § 6(1) between any termination date of this Participation Agreement occurs and the Participation Termination Date, which Reduction has not been fully replenished by the Repayment Date, the Silent Participation shall continue on the terms of this Agreement. In such case, the Participation Termination Date shall be the 31 December which follows the complete replenishment of the Silent Contribution up to the full Nominal Contribution Amount.

§ 8 Gesellschafterrechte

- (1) **Jahresabschluss:** Der Stille Gesellschafter ist berechtigt, (i) eine Abschrift des Jahresabschlusses der Bank (Bilanz mit Gewinn- und Verlustrechnung sowie Anhang) einschließlich Lagebericht sowie – sofern diese von der Bank aufgestellt werden – Konzernabschluss (Konzernbilanz, Gewinn- und Verlustrechnung sowie Anhang) und Konzernlagebericht der Bank zu verlangen

§ 8 Shareholder Rights

- (1) **Financial Statements:** The Silent Partner shall be entitled (i) to request a copy of the annual financial statements of the Bank (balance sheet with profit and loss accounts and notes) including the management report as well as (to the extent prepared by the Bank) group financial statements (group balance sheet, profit and loss accounts and notes) and group management reports of the Bank and (ii) to

und (ii) dessen Richtigkeit durch Überprüfung des Prüfungsberichtes auf eigene Kosten durch einen Wirtschaftsprüfer oder vereidigten Buchprüfer feststellen zu lassen. Zusammen mit dem Jahresabschluss erhält der Stille Gesellschafter eine Aufstellung über seine Gewinn- bzw. Verlustbeteiligung. Auf Anfrage des Stillen Gesellschafters hat die Bank dazu weitere Auskunft zu erteilen.

- (2) **Ausschluss anderweitiger Rechte:** Weitere Gesellschafter-Rechte stehen dem Stillen Gesellschafter nicht zu.

§ 9

Hinweis gemäß § 10(4) S. 1 Ziff. 6 KWG

- (1) **Verbot nachträglicher Änderungen zum Nachteil der Bank:** Nach Abschluss dieses Beteiligungsvertrages dürfen (i) weder die Verlustbeteiligung zum Nachteil der Bank verändert, (ii) noch die Nachrangigkeit eingeschränkt noch (iii) die Laufzeit oder Kündigungsfrist verkürzt werden.
- (2) **Rückzahlungsverpflichtung:** Ungeachtet anderweitiger Vereinbarungen sind vorzeitige Rückzahlungen auf die Stille Einlage an die Bank zurückzuzahlen, es sei denn, (i) das Kapital wurde durch anderes mindestens gleichwertiges Eigenkapital ersetzt oder (ii) die BaFin stimmt der vorzeitigen Rückzahlung der Stillen Einlage zu.

§ 10

Begebung weiteren Haftkapitals

Die Bank behält sich das Recht vor, Verträge über weitere stille Gesellschaften zu gleichen oder anderen Bedingungen, insbesondere mit einer anderen Gewinnbeteiligung, oder Verträge über Genussrechte oder Genussscheine oder nachrangiges Haftkapital gemäß § 10(5a) KWG abzuschließen. Forderungen künftiger stiller Gesellschafter dürfen den Forderungen des Stillen Gesellschafters aus diesem Beteiligungsvertrag nicht im Rang vorgehen.

§ 11

Übertragungsrechte des Stillen Gesellschafters

Die Abtretung oder anderweitige Verfügung (z.B. durch Verpfändung) über Forderungen des Stillen Gesellschafters aus diesem Beteiligungsvertrag bedarf der Zustimmung der Bank.

§ 12

Änderungen steuerlicher oder aufsichtsrechtlicher Vorschriften

Im Falle wesentlicher Änderungen in der steuerlichen oder aufsichtsrechtlichen Behandlung der Stillen Einlage und ihrer Gewinn- und Verlustbeteiligung oder falls auf Zahlungen des Stillen Gesellschafters im Zusammenhang mit dessen Refinanzierung der Stillen Einlage Quellensteuern anfallen, werden die Parteien dieses Beteiligungsvertrages in einvernehmliche Verhandlungen zum Zweck einer Anpassung dieses Beteiligungsvertrages an die veränderte Rechtslage eintreten, sofern die Bank diesen Beteiligungsvertrag nicht wirksam gemäß § 7(4) gekündigt hat. Der Stille Gesellschafter ist verpflichtet, Änderungen dieses Beteiligungsvertrages

ascertain, at its own cost, the correctness thereof through the review of the auditor's report by an auditor or a certified public accountant. The Silent Partner shall, together with the annual financial statements, receive a statement of its profit/loss sharing position. If requested by the Silent Partner, the Bank shall provide further information in this regard.

- (2) **Exclusion of Other Rights:** The Silent Partner shall have no further shareholder rights.

§ 9

Notice in Accordance with § 10(4) s. 1 no. 6 KWG

- (1) **Exclusion of Amendments to the Bank's Detriment:** After conclusion of this Participation Agreement, (i) the loss participation may not be amended to the Bank's detriment, (ii) the subordination may not be limited and (iii) neither the term nor the notice period may be shortened.
- (2) **Recontribution Obligation:** Any premature repayment of the Silent Contribution must be repaid to the Bank notwithstanding any agreement to the contrary, unless (i) the capital has been replaced by other own funds of at least equal quality or (ii) the BaFin has agreed to the premature repayment of the Silent Contribution.

§ 10

Issue of Additional Liabe Capital

The Bank reserves the right to conclude agreements on additional silent partnerships, on identical or different terms, in particular with a different profit participation or to conclude agreements on profit participation rights in the form of *Genussrechte* or profit participation certificates (*Genussscheine*) or subordinated capital in accordance with § 10(5a) KWG. Claims of future silent partners may not rank senior to claims of the Silent Partner under this Participation Agreement.

§ 11

Silent Partner's Transfer Rights

Transfers or any other disposals (e.g. by pledge) of or over claims of the Silent Partner under this Participation Agreement require the Bank's approval.

§ 12

Changes in the Tax or Supervisory Law

In the case of material changes in relation to the tax or supervisory treatment of the Silent Contribution and its profit and loss sharing or in the case that withholding taxes are levied on payments by the Silent Partner in connection with its refinancing of the Silent Contribution, the parties to this Participation Agreement shall enter into good faith negotiations with a view to amending this Participation Agreement to reflect the changes in the legal situation, unless this Participation Agreement has been validly terminated by the Bank in accordance with § 7(4). The Silent Partner shall agree to any amendment of this Participation Agreement to the extent that such amendment is necessary to

zuzustimmen, soweit diese zur Vermeidung von steuerlichen oder aufsichtsrechtlichen Nachteilen der Bank erforderlich sind und soweit derartige Änderungen die wirtschaftlichen Interessen der Inhaber der Capital Securities bzw. von Refinanzierungswertpapieren nicht nachteilig betreffen. Die Stille Einlage behält bis zum Wirksamwerden einer solchen Anpassung ihre vollen Rechte unter diesem Beteiligungsvertrag.

§ 13 Besteuerung

Alle aufgrund dieses Beteiligungsvertrages fälligen Zahlungen werden ohne Einbehaltung oder Abzug aufgrund derzeitiger oder künftiger Steuern oder Abgaben gleich welcher Art geleistet, die durch Einbehaltung oder Abzug durch oder im Auftrag von Deutschland, seiner politischen Untergliederungen oder der zur Erhebung von Steuern befugten Behörden auferlegt oder erhoben werden, es sei denn, die Einbehaltung oder der Abzug sind gesetzlich vorgeschrieben.

§ 14 Anwendbares Recht, Erfüllungsort, Gerichtsstand und bindende Fassung

- (1) **Anwendbares Recht:** Das Gesellschaftsverhältnis und alle sich aus diesem Beteiligungsvertrag ergebenden Rechte und Pflichten unterliegen ausschließlich dem Recht Deutschlands.
- (2) **Erfüllungsort und Gerichtsstand:** Erfüllungsort und Gerichtsstand ist München.
- (3) **Bindende Fassung:** Die deutsche Fassung dieses Beteiligungsvertrages ist bindend.

§ 15 Salvatorische Klausel

Sollte eine Bestimmung dieses Beteiligungsvertrages ganz oder teilweise unwirksam oder unvollständig sein oder werden, so wird hierdurch die Wirksamkeit der übrigen Bestimmungen nicht berührt. Anstelle der unwirksamen oder unvollständigen Bestimmung tritt eine Regelung, die dem wirtschaftlichen Zweck der unwirksamen Bestimmung in rechtlich zulässiger Weise am nächsten kommt bzw. die Bestimmung in Übereinstimmung mit dem mutmaßlichen Parteiwillen so gut wie möglich ergänzt.

avoid adverse consequences for the Bank based on tax or regulatory laws and to the extent that such amendment does not negatively affect the economic interests of the holder of the Capital Securities and the Refinancing Securities, respectively. The Silent Contribution shall carry the full rights under this Participation Agreement until such amendment becomes valid.

§ 13 Taxation

All amounts payable under this Participation Agreement shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

§ 14 Governing Law, Place of Performance, Place of Jurisdiction and Binding Version

- (1) **Governing Law:** The partnership relationship and all rights and obligations arising out of or under this Participation Agreement shall be exclusively governed by the laws of Germany.
- (2) **Place of Performance and Place of Jurisdiction:** Place of performance and of jurisdiction shall be Munich.
- (3) **Binding Version:** The German version of this Participation Agreement shall be the binding version.

§ 15 Severability

Should any provision of this Participation Agreement be or become invalid or incomplete in total or in part, the validity of the remaining provisions shall remain unaffected. The invalid or incomplete provision shall be replaced by such provision that achieves as closely as is legally possible the economic purpose of the invalid provision or best supplements the provision in accordance with the presumed intentions of the parties.

DESCRIPTION OF THE LOAN AGREEMENT

THE GERMAN TEXT OF THE TERMS DESCRIPTION OF THE LOAN AGREEMENT IS LEGALLY BINDING. THE ENGLISH TRANSLATION IS FOR CONVENIENCE ONLY

DIESER VERTRAG wird am [●] 2009 abgeschlossen zwischen:

THIS AGREEMENT is made on [●] 2009 between:

(1) **Isar Capital Funding I Limited Partnership**, einer nach dem Recht Jerseys errichteten Kommanditgesellschaft (*Limited Partnership*) mit eingetragenem Sitz in 22 Grenville Street, St. Helier, Jersey JE4 8PX, Kanalinseln (die **Darlehensnehmerin**), handelnd durch ihre Komplementärin (*General Partner*) Isar Capital Funding Limited; und

(1) **Isar Capital Funding I Limited Partnership**, a limited partnership established under the laws of Jersey whose registered office is at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands (the **Borrower**) acting through its general partner Isar Capital Funding I Limited; and

(2) **Münchener Hypothekbank eG**, Karl-Scharnagel-Ring 10, 80539 München, Deutschland (die **Darlehensgeberin**).

(2) **Münchener Hypothekbank eG**, Karl-Scharnagel-Ring 10, 80539 München, Germany (the **Lender**).

PRÄAMBEL

PREAMBLE

(A) Die Darlehensnehmerin wurde nach dem Recht Jerseys gegründet und am 4. September 2008 gemäß dem Limited Partnerships (Jersey) Law von 1994 in seiner jeweils geltenden Fassung als Kommanditgesellschaft (*limited partnership*) eingetragen. Die alleinigen Gesellschafter der Darlehensnehmerin sind die Komplementärin und die Kommanditistin.

(A) The Borrower was established as a limited partnership under Jersey law and registered pursuant to the Limited Partnerships (Jersey) Law 1994, as amended, on 4 September 2008. The Borrower's sole partners are the General Partner and the Limited Partner.

(B) Die Darlehensgeberin ist weder mit der Komplementärin noch der Kommanditistin verbunden.

(B) The Lender is unaffiliated with the General Partner or the Limited Partner.

(C) Die Darlehensnehmerin beabsichtigt, die Capital Securities (wie unten definiert) zu begeben, deren Erlös sie für den Erwerb einer stillen Beteiligung an dem Handelsgewerbe der Münchener Hypothekbank eG (in dieser Funktion nachfolgend die als **Bank** bezeichnet) in Form einer Stillen Gesellschaft nach deutschem Recht nach Maßgabe eines Vertrages vom [●] 2009 (der **Beteiligungsvertrag**) verwenden wird, der vorsieht, dass die Darlehensnehmerin eine Vermögenseinlage in Höhe von EUR [●] in die Bank einbringt (die **Stille Einlage**).

(C) The Borrower proposes to issue the Capital Securities (as defined below), the proceeds of which will be used by the Borrower to acquire a silent partnership interest in the commercial enterprise of Münchener Hypothekbank eG (in this capacity hereinafter referred to as the **Bank**) in the form of a silent partnership (*Stille Gesellschaft*) under German law pursuant to an agreement providing for a capital contribution by the Borrower to the Bank in the amount of EUR [●] (the **Silent Contribution**) and dated [●] 2009 (the **Participation Agreement**).

(D) Als Gegenleistung für die Stille Einlage erhält die Darlehensnehmerin Gewinnbeteiligungen, die jeweils jährlich auf der Grundlage des Einlagenennbetrages der Stillen Einlage der Darlehensnehmerin für jedes Geschäftsjahr der Bank ermittelt und – soweit sie nach Maßgabe des Beteiligungsvertrages anfallen – jährlich nachträglich ausgeschüttet werden (**Gewinnbeteiligungszahlungen**).

(D) In return for the Silent Contribution, the Borrower is entitled to profit participations calculated annually on the basis of the nominal contribution amount of the Borrower's Silent Contribution for each fiscal year of the Bank which are, subject to having accrued under the Participation Agreement, payable annually in arrear (**Profit Participation Payments**).

- (E) Gemäß und nach Maßgabe der Emissionsbedingungen der Capital Securities sind die Inhaber der Capital Securities (**Emissionsgläubiger**) berechtigt, jährlich von den Gewinnbeteiligungszahlungen abhängige Zinszahlungen auf die Capital Securities (**Zinszahlungen**) zu erhalten.
- (F) Wenn Gewinnbeteiligungszahlungen an die Darlehensnehmerin ausgeschüttet werden oder die Stille Einlage nach einer Herabsetzung ihres Buchwerts gemäß § 6(3) des Beteiligungsvertrages wieder gutgeschrieben wird (eine **Wiedergutschrift**), ist die Bank verpflichtet, von den ausgeschütteten Beträgen oder dem Betrag der Wiedergutschrift Kapitalertragsteuer zuzüglich Solidaritätszuschlag einzubehalten (jeweils ein **Einbehalt**), sofern nicht die Finanzbehörden Zahlungen an die Darlehensnehmerin befreit haben. Soweit die Einbehalte nach deutschem Steuerrecht der Kommanditistin zuzurechnen sind, gelten sie als Vorauszahlung auf die von der Kommanditistin geschuldete Körperschaftsteuer in Deutschland.
- (G) Die Kommanditistin rechnet in ihrer Eigenschaft als *limited partner* der Darlehensnehmerin in jedem Jahr mit Steuererstattungsansprüchen gegenüber den deutschen Finanzbehörden (jeweils ein **Steuererstattungsanspruch**) in Höhe der Beträge, um die die Vorauszahlungen in Form der Einbehalte ihre jeweilige tatsächliche Körperschaftsteuerschuld in Deutschland überschreiten.
- (H) In einem Vertrag zwischen der Komplementärin und der Kommanditistin, der das gleiche Datum wie dieser Vertrag trägt (**Einzahlungsvertrag**), verpflichtet sich die Kommanditistin zugunsten der Darlehensnehmerin, sämtliche Beträge, die sie von den deutschen Finanzbehörden in Bezug auf die Kommanditisten-Steuererstattungsansprüche erhält, an die Darlehensnehmerin zu zahlen (jeweils eine **Kapitaleinzahlung**).
- (I) Die Darlehensnehmerin hat die Darlehensgeberin gebeten, ihr ein Darlehen einzuräumen, um damit ihre Verpflichtungen zu Zinszahlungen auf die Capital Securities und zur vollständigen Wiedergutschrift der Stillen Einlage nach einer Herabsetzung ihres Buchwerts gemäß dem Beteiligungsvertrag zu finanzieren.
- (E) Pursuant and subject to the terms and conditions of the Capital Securities, the holders of the Capital Securities (**Securityholders**) are entitled to receive annual interest payments on the Capital Securities (**Coupon Payments**) which are linked to the Profit Participation Payments.
- (F) When Profit Participation Payments are distributed to the Borrower or upon a replenishment of the Silent Contribution after a reduction of its book value in accordance with § 6(3) of the Participation Agreement (a **Replenishment**), the Bank must withhold German Withholding Tax plus the "solidarity surcharge" (each a **Withholding**) on the distributed amounts or on the amount of the Replenishment, unless the tax authorities have granted an exemption for payments to the Borrower. The Withholdings, to the extent attributable to the Limited Partner under German tax laws, will be counted as a prepayment towards the German corporate income tax owed by the Limited Partner.
- (G) The Limited Partner, in its capacity as the limited partner of the Borrower, expects to be entitled for each tax year to refund claims against the German tax authorities (each a **Tax Refund Claim**) in the amount by which the prepayments in the form of the Withholdings exceed its actual German corporate income tax liability.
- (H) In an agreement between the General Partner and the Limited Partner dated the date hereof (**Contribution Agreement**), the Limited Partner undertakes, for the benefit of the Borrower, to contribute to the Borrower amounts that it receives from the German tax authorities on account of the Limited Partner's Tax Refund Claims (each such contribution a **Contribution Payment**).
- (I) The Borrower has requested that the Lender make available to it a loan facility in order to fund the Borrower's obligations to pay Coupon Payments under the Capital Securities and to fully replenish the Silent Contribution after reduction of its book value in accordance with the Participation Agreement.

AUF DIESER GRUNDLAGE WIRD FOLGENDES
VEREINBART:

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

§ 1 Definitionen

§ 1 Definitions

Auszahlungstag bezeichnet jeden Tag, an dem eine Darlehens-Auszahlung gemäß § 2.2 fällig wird.

Advance Payment Date shall mean each date on which an Advance becomes due in accordance with

§ 2(2).

Bank bezeichnet die Münchener Hypothekenbank eG, eine nach deutschem Recht errichtete eingetragene Genossenschaft mit Sitz Karl-Scharnagel-Ring 10, 80539 München, Deutschland.

Bank shall mean Münchener Hypothekenbank eG, a registered cooperative (*eingetragene Genossenschaft*) established under the laws of Germany whose registered office is at Karl-Scharnagel-Ring 10, 80539 Munich, Germany.

Beteiligungsvertrag hat die in der Präambel festgelegte Bedeutung; eine Abschrift des Beteiligungsvertrages ist diesem Vertrag als Anhang I beigefügt.

Participation Agreement has the meaning specified in the preamble; a copy of the Participation Agreement is attached to this Agreement as Annex I.

Capital Securities Bedingungen bezeichnet die Emissionsbedingungen der Capital Securities, von denen eine Abschrift diesem Vertrag als Anhang II beigefügt wurde.

Capital Securities Terms shall mean the terms and conditions of the Capital Securities, a copy of which are attached to this Agreement as Annex II.

Capital Securities bezeichnet die EUR [●] Capital Securities mit einem Nennbetrag von jeweils EUR 1.000, die die Darlehensnehmerin am [●] 2009 auszugeben beabsichtigt.

Capital Securities shall mean the EUR [●] Capital Securities in the denomination of EUR 1,000 each, proposed to be issued by the Borrower on [●] 2009.

Darlehen bezeichnet die ausstehenden Darlehens-Auszahlungen, die die Darlehensgeberin der Darlehensnehmerin nach Maßgabe der Bestimmungen dieses Vertrages gewährt.

Loan shall mean the outstanding Advances provided by the Lender to the Borrower upon the terms and conditions set out in this Agreement.

Darlehens-Auszahlung bezeichnet jeden Betrag, den die Darlehensgeberin der Darlehensnehmerin gemäß § 2 gewährt.

Advance shall mean each amount provided by the Lender to the Borrower in accordance with § 2.

Darlehensgeberin hat die in der Präambel festgelegte Bedeutung.

Lender shall have the meaning specified in the preamble.

Darlehensnehmerin hat die in der Präambel festgelegte Bedeutung.

Borrower shall have the meaning specified in the preamble.

Einbehalt hat die in der Präambel festgelegte Bedeutung.

Withholding has the meaning specified in the preamble.

Einzahlungsvertrag hat die in der Präambel festgelegte Bedeutung.

Contribution Agreement has the meaning specified in the preamble.

Emissionsgläubiger hat die in der Präambel festgelegte Bedeutung.

Securityholders has the meaning specified in the preamble.

Endgültiger Rückzahlungstag bezeichnet den Rückzahlungstag gemäß der Definition in den Capital Securities Bedingungen.

Final Repayment Date shall mean the Repayment Date as such term is defined in the Capital Securities Terms.

Euro, EUR oder **€** bezeichnet die einheitliche europäische Währung, die am 1. Januar 1999 in Deutschland und den anderen teilnehmenden Mitgliedstaaten der Europäischen Union eingeführt wurde.

Euro, EUR or **€** refers to the single unified currency that was introduced in Germany and other participating member states of the European Union on 1 January 1999.

Fälligkeitstag bezeichnet jeden Tag, an dem die Emissionsgläubiger planmäßig zum Erhalt von Zinszahlungen auf die Capital Securities berechtigt sind.

Due Date shall mean each date upon which the Securityholders are entitled to receive Coupon Payments in respect of the Capital Securities as scheduled.

Genehmigung bezeichnet eine Genehmigung, Zustimmung, Billigung, einen Beschluss, eine Zulassung,

Authorisation shall mean an authorisation, consent, approval, resolution, licence, exemption, filing or

Befreiung, Einreichung oder Registrierung.

Geschäftstag bezeichnet jeden Tag (mit Ausnahme von Samstagen und Sonntagen), der weder ein Feiertag in München, Luxemburg oder New York City noch ein Tag ist, an dem Banken in München, Luxemburg oder New York City aufgrund gesetzlicher oder behördlicher Vorgaben für den Geschäftsverkehr geschlossen sind oder geschlossen bleiben können.

Gewinnbeteiligungszahlungen hat die in der Präambel festgelegte Bedeutung.

Kapitaleinzahlung hat die in der Präambel festgelegte Bedeutung.

Kommanditistin bezeichnet Isar Funding I GmbH, eine nach deutschem Recht errichtete Gesellschaft mit beschränkter Haftung mit Sitz in München, Deutschland, die der einzige Limited Partner der Darlehensnehmerin nach Maßgabe des Limited Partnerships (Jersey) Law 1994 in der jeweils gültigen Fassung ist.

Komplementärin bezeichnet die Isar Capital Funding I Limited, eine nach dem Recht von Jersey errichtete Gesellschaft mit beschränkter Haftung mit Sitz in 22 Grenville Street, St. Helier, Jersey JE4 8PX, Kanalinseln, die der einzige General Partner der Darlehensnehmerin im Sinne des Limited Partnerships (Jersey) Law 1994 in der jeweils gültigen Fassung ist.

Kündigungsgrund bezeichnet jedes Ereignis bzw. jeden Umstand, der in § 6 genannt ist.

Ordentliche Rückzahlung hat die in § 3(1) festgelegte Bedeutung.

Ordentlicher Rückzahlungstag bezeichnet jeden Tag, an dem die Darlehensnehmerin ausstehende Darlehens-Auszahlungen gemäß § 3(1) oder § 3(3) zurückzahlt.

Referenzzinssatz bezeichnet den Angebotssatz zwischen Banken für Zwölf-Monats-Einlagen in Euro (ausgedrückt als Prozentsatz per annum), der am maßgeblichen Zinsfestlegungstag um oder etwa um 11.00 Uhr (Brüsseler Zeit) auf der Reuters-Seite EURIBOR01 (oder einer anderen Bildschirmseite von Reuters oder einem anderen Informationsanbieter als Nachfolger, die die Reuters-Seite EURIBOR01 zur Anzeige solcher Sätze ersetzt) (die **Bildschirmseite**) angezeigt wird.

Für den Fall, dass der vorgenannte Zinssatz an dem maßgeblichen Zinsfestlegungstag nicht auf der Bildschirmseite erscheint oder die Bildschirmseite nicht zur Verfügung steht, ist der Referenzsatz für die betreffende Zinsperiode der Prozentsatz per annum, der auf Basis der Quotierungen, die der Darlehensgeberin am maßgeblichen Berechnungstag um oder etwa um 11.00 Uhr (Brüsseler Zeit) von den Euro-Zone-Hauptbüros von fünf europäischen Großbanken, die von der Darlehensgeberin ausgewählt werden, um ihr einen Angebotssatz an Banken erster Bonität im Europäischen Interbankenmarkt für Zwölf-Monats-Einlagen in Euro zu stellen, von der Darlehensgeberin am maßgeblichen Berechnungstag

registration.

Business Day shall mean a day (other than a Saturday or a Sunday) which is neither a legal holiday in Munich, Luxembourg or New York City nor a day on which commercial banks are authorised or required by law, regulation or executive order to close in Munich, Luxembourg or New York City.

Profit Participation Payments has the meaning specified in the preamble.

Contribution Payment has the meaning specified in the preamble.

Limited Partner shall mean Isar Funding I GmbH, a limited liability company incorporated under the laws of Germany whose registered office is at Munich, Germany and who is the Borrower's sole limited partner within the meaning of the Limited Partnerships (Jersey) Law 1994, as amended.

General Partner shall mean Isar Capital Funding I Limited, a limited liability company incorporated under the laws of Jersey whose registered office is at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands and who is the Borrower's sole general partner within the meaning of the Limited Partnerships (Jersey) Law 1994, as amended.

Event of Default shall mean any event or circumstance specified as such in § 6.

Repayment shall have the meaning specified in § 3(1).

Repayment Date shall mean each date on which the Borrower repays outstanding Advances in accordance with § 3(1) or § 3(3).

Reference Interest Rate means the Euro interbank offered rate for twelve month deposits in euro (expressed as a percentage rate per annum) published on Reuters Page EURIBOR01 (or such other screen page of Reuters or such other information service which is the successor to Reuters Page EURIBOR01 for the purpose of displaying such rates) on the relevant Rate Determination Date at or around 11:00 a.m. (Brussels time).

In the event that the foregoing rate does not appear on the screen page mentioned in the preceding paragraph on any Rate Determination Date, the Interest Rate for the relevant coupon period will be the rate expressed as a percentage per annum determined by the Lender on the basis of quotations provided by the principal Euro-zone office of each of five major banks in the European interbank market selected by the Lender to provide it with their offered quotations for twelve-month deposits in Euro to prime banks in the European interbank market at or around 11:00 a.m. (Brussels time) on the relevant Determination Date. If two or more reference banks provide quotations, the Interest Rate will be the

festgelegt wird. Wenn zwei oder mehr Banken der Darlehensgeberin Angebotssätze zur Verfügung stellen, ist der Referenzzinssatz das arithmetische Mittel der Quotierungen dieser Angebotssätze (ggf. auf das nächste Tausendstel eines Prozentpunktes gerundet, wobei ab 0,0005 aufgerundet wird). Wenn fünf Banken der Darlehensgeberin Angebotssätze zur Verfügung stellen, erfolgt die Berechnung des Referenzzinssatzes unter Ausschluss der höchsten Quotierung (bzw. für den Fall von gleich hohen Quotierungen, einer der höchsten Quotierungen) und der niedrigsten Quotierung (bzw. für den Fall von gleich niedrigen Quotierungen, einer der niedrigsten Quotierungen).

Steuerabzug bezeichnet einen Abzug oder Einbehalt von einer Zahlung nach Maßgabe dieses Vertrages, der für oder aufgrund von Steuern erfolgt.

Steuererstattungsanspruch hat die in der Präambel festgelegte Bedeutung.

Steuerergutschrift bezeichnet eine Gutschrift auf, eine Ermäßigung, einen Erlass oder die Rückerstattung von Steuern.

Steuern bezeichnet sämtliche Steuern, Abgaben, Erhebungen, Gebühren oder andere Belastungen oder Einbehalte ähnlicher Art (einschließlich aller Strafen oder Zinsen, die im Zusammenhang mit einer Nichtzahlung oder einem Zahlungsverzug derselben erhoben werden).

Stille Einlage hat die in der Präambel festgelegte Bedeutung.

Wiedergutschrift hat die in der Präambel festgelegte Bedeutung.

Zinsfestlegungstag bezeichnet zweiten Geschäftstag vor dem jeweiligen Auszahlungszahltag.

Zinssatz bedeutet für den Zeitraum vom jeweiligen Auszahlungszahltag (einschließlich) bis zum jeweiligen Ordentlichen Rückzahlungstag (ausschließlich) einen Zinssatz p.a in Höhe des Referenzzinssatzes, der am Zinsfestlegungstag, der dieser Periode unmittelbar vorausgeht, festgelegt wird, zuzüglich einer Marge von 0,5% p.a., wobei der anwendbare Zinssatz unter keinen Umständen 4% p.a. überschreiten und 3% p.a. unterschreiten wird.

Zinszahlungen hat die in der Präambel genannte Bedeutung.

Zinszahlungsverpflichtungen bezeichnet die Verpflichtung der Darlehensnehmerin als Emittentin der Capital Securities, an jedem Fälligkeitstag Zinszahlungen an die Emissionsgläubiger nach Maßgabe der Emissionsbedingungen der Capital Securities zu leisten.

arithmetic mean of such quotations (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards). If five banks provide their quotations to the Lender, the highest (but if the highest is quoted more than once, only one such quote) and the lowest (but if the lowest is quoted more than once, only one such quote) will be disregarded for the purpose of calculating the Reference Interest Rate.

Tax Deduction shall mean a deduction or withholding for or on account of Tax from a payment under this Agreement.

Tax Refund Claim has the meaning specified in the preamble.

Tax Credit shall mean a credit against, relief or remission for, or repayment, of any Tax.

Tax shall mean any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

Silent Contribution has the meaning specified in the preamble.

Replenishment shall have the meaning specified in the preamble.

Rate Determination Date means the second Business Day prior to the relevant Advance Payment Date.

Rate of Interest means, for each period from the relevant Advance Payment Date to (but excluding) the relevant Repayment Date, a rate of interest per annum equal to the Reference Interest Rate determined on the Rate Determination Date immediately preceding such period plus a margin of 0.5 per cent. per annum; in no event, however, the applicable interest rate shall exceed 4 per cent. per annum and fall below 3 per cent. per annum.

Coupon Payments shall have the meaning specified in the preamble.

Coupon Payment Obligations shall mean the obligation of the Borrower, as issuer of the Capital Securities, to make Coupon Payments to the Securityholders pursuant to the terms and conditions of the Capital Securities on each Due Date.

§ 2 Vertragsgegenstand

(1) Die Darlehensgeberin verpflichtet sich, nach Maßgabe der Bestimmungen dieses Vertrages, an jedem Fälligkeitstag und in Bezug auf jede

§ 2 Loan Facility

(1) Subject to, and upon the terms and conditions contained herein, the Lender agrees to make Advances to the Borrower on each Due Date

Wiedergutschrift, sobald diese erfolgt, an den in § 2(2) genannten Tagen und in der in § 2(3) genannten Höhe Darlehens-Auszahlungen an die Darlehensnehmerin vorzunehmen.

and in respect of each Replenishment as it arises, as applicable, on the dates specified in § 2(2) and in the amounts specified in § 2(3).

(2) Darlehens-Auszahlungen werden fällig

- (a)** an jedem Tag, an dem eine Gewinnbeteiligungszahlung nach Maßgabe des Beteiligungsvertrages fällig wird; und
- (b)** an jedem Tag, an dem eine Wiedergutschrift auf den Buchwert der Stillen Einlage gemäß den Bestimmungen des Beteiligungsvertrages tatsächlich erfolgt.

(2) Advances shall become due on

- (a)** each day on which a Profit Participation Payment becomes due under the Participation Agreement; and
- (b)** each day on which a Replenishment of the book value of the Silent Contribution is actually made pursuant to the terms of the Participation Agreement.

(3) Darlehens-Auszahlungen sind in der in diesem § 2 festgesetzten Höhe an die Darlehensnehmerin zahlbar und von dieser zurückzuzahlen.

- (a)** Falls Darlehens-Auszahlungen gemäß § 2(2)(a) geleistet werden, sind diese in Höhe des Betrages, der dem Einbehalt von der Gewinnbeteiligungszahlung entspricht, die an dem betreffenden Auszahlungszahltag fällig wird, an die Darlehensnehmerin in Euro zu zahlen.
- (b)** Falls Darlehens-Auszahlungen gemäß § 2(2)(b) geleistet werden, sind diese in Höhe des Betrages, der dem Einbehalt auf die Wiedergutschrift entspricht, die an dem betreffenden Auszahlungszahltag tatsächlich erfolgt, an die Darlehensnehmerin in Euro zu zahlen.

(3) Advances shall be payable to, and repaid by, the Borrower in the amounts stipulated in this § 2.

- (a)** In the case of Advances paid under § 2(2)(a), each such Advance shall be payable to the Borrower in Euro in an amount corresponding to the Withholding on the Profit Participation Payment falling due on the relevant Advance Payment Date.
- (b)** In the case of Advances paid under § 2(2)(b), each such Advance shall be payable to the Borrower in Euro in an amount corresponding to the Withholding on the Replenishment actually made on the relevant Advance Payment Date.

(4) Die Darlehensnehmerin wird die Erlöse aus jeder gemäß diesem Vertrag erhaltenen Darlehens-Auszahlung wie folgt verwenden:

- (a)** im Fall von gemäß § 2(2)(a) geleisteten Darlehens-Auszahlungen, zur Finanzierung ihrer Zinszahlungsverpflichtungen; und
- (b)** im Fall von gemäß § 2(2)(b) geleisteten Darlehens-Auszahlungen, zur weiteren Wiedergutschrift der Stillen Einlage.

(4) The Borrower shall use the proceeds of each Advance obtained hereunder:

- (a)** in the case of Advances paid under § 2(2)(a), to fund its Coupon Payment Obligations; and
- (b)** in the case of Advances paid under § 2(2)(b), to further replenish the Silent Contribution.

**§ 3
Ordentliche Rückzahlung**

**§ 3
Repayment**

- (1)** Die Darlehensnehmerin ist verpflichtet, das Darlehen in Höhe des vollen Betrages aller Kapitaleinzahlungen, die sie von der Kommanditistin erhält, unverzüglich nach Erhalt der jeweiligen Zahlung zurückzuzahlen (jede solche Zahlung und jede Zahlung gemäß § 3(2) eine **Ordentliche Rückzahlung**).

- (1)** The Borrower shall be required to repay the Loan in the full amount of any Contribution Payment it receives from the Limited Partner promptly after receipt of the relevant payment (each such payment, as well as each payment pursuant to § 3(2), a **Repayment**).

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| <p>(2) Nach vollständiger Rückzahlung der Capital Securities und Rückführung des Darlehens aus allen verfügbaren Steuererstattungsansprüchen ist die Darlehensnehmerin verpflichtet, etwa verbleibende Darlehenssalden aus sonstigen ihr tatsächlich zur Verfügung stehenden Mitteln zurückzuführen, soweit diese Mittel nicht zur Finanzierung anderer aktueller wie bedingter Verpflichtungen und Verbindlichkeiten zum Zweck der Aufrechterhaltung ihrer Existenz erforderlich sind.</p> | <p>(2) Following the full and final repayment of the Capital Securities and the reduction of any loan balances using all available Tax Refund Claims, the Borrower shall be obliged to repay any remaining loan balance using other amounts available to it to the extent such amounts are not otherwise required to fund the Borrower's outstanding and contingent obligations and liabilities in order to keep the Borrower in operation.</p> |
| <p>(3) Vorbehaltlich § 3(2) sind die Ansprüche der Darlehensgeberin gegen die Darlehensnehmerin auf Rückzahlung von Darlehensauszahlungen gemäß diesem § 3(3) sowie alle anderen Zahlungsverpflichtungen der Darlehensnehmerin hierunter mit Ausnahme der Verpflichtung zur Zahlung von aufgelaufenen Zinsen durch die Barmittel begrenzt, welche die Darlehensnehmerin tatsächlich in Anbetracht von Steuererstattungsansprüchen erhält. Die Ansprüche der Darlehensgeberin auf Zahlung von Zinsen sind durch die verbleibenden und der Darlehensnehmerin zum maßgeblichen Zeitpunkt tatsächlich zur Verfügung stehenden Mittel begrenzt. Derartige Ansprüche sind gegenüber fällig gewordenen Verbindlichkeiten aus den Capital Securities nachrangig und erst nach deren vollständiger Befriedigung und nachdem die Darlehensnehmerin Rückstellungen für ihre übrigen aktuellen und bedingten Verbindlichkeiten gebildet hat, die zur Aufrechterhaltung ihrer Existenz erforderlich sind, zahlbar. Die Darlehensnehmerin verfügt über keine anderen Mittel zur Erfüllung ihrer Verbindlichkeiten und dieser Vertrag begründet demgemäß keinerlei Zahlungsverbindlichkeiten der Darlehensnehmerin über diese Beträge hinaus.</p> | <p>(3) Subject to § 3(2), the Lender's claims against the Borrower for repayment of outstanding Advances pursuant to this § 3(3) and any other payment obligations of the Borrower hereunder save for the payment of interest are limited to the payments actually received by the Borrower on account of Tax Refund Claims. The Lender's claims against the Borrower for payment of accrued and unpaid interest are limited to the remaining amounts actually available for application by the Borrower at the relevant time. Such claims shall be subordinated to, and be effected only after full satisfaction of, any matured payment obligation under the Capital Securities and only after the Borrower has made provisions for its other outstanding and contingent liabilities in order to keep the Borrower in operation. Other than the foregoing, the Borrower will have no funds available to meet its payment obligations under this Agreement and this Agreement will not give rise to any payment obligation in excess of the foregoing.</p> |

§ 4 Zinsen

§ 4 Interest

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| <p>(1) Die Darlehensnehmerin zahlt Zinsen an die Darlehensgeberin, die gemäß diesem § 4 an jedem Ordentlichen Rückzahlungstag und an dem Endgültigen Rückzahlungstag berechnet werden.</p> | <p>(1) The Borrower shall make interest payments to the Lender to be calculated in accordance with this § 4 on each Repayment Date and on the Final Repayment Date.</p> |
| <p>(2) Zinsen fallen zum Zinssatz auf den Betrag des Darlehens an, der (klarstellungshalber) nicht die an dem unmittelbar vorhergehenden Ordentlichen Rückzahlungstag geleistete Ordentliche Rückzahlung umfasst.</p> | <p>(2) Interest shall accrue at the Rate of Interest on the amount of the Loan, which (for the avoidance of doubt) shall not include the Repayment made on the immediately preceding Repayment Date.</p> |
| <p>(3) Die Zinsen werden berechnet, indem der Zinssatz mit der tatsächlichen Anzahl von Tagen, die in dem Zeitraum vom jeweiligen Auszahlungszahltag (einschließlich) bis zum jeweiligen ordentlichen Rückzahlungstag (ausschließlich) verstrichen sind, multipliziert und durch 360 dividiert wird.</p> | <p>(3) Interest will be calculated by multiplying the Rate of Interest by the actual number of days elapsed during the period between the relevant Advance Payment Date (inclusive) and the relevant Repayment Date (exclusive) divided by 360.</p> |

§ 5
Allgemeine Verpflichtungen

Die Verpflichtungen in diesem § 5 bleiben vom Datum dieses Vertrages an solange in Kraft, wie Darlehens-Auszahlungen gemäß diesem Vertrag ausstehen.

- (1) Die Darlehensnehmerin wird sämtliche Genehmigungen, die gemäß irgendeinem Gesetz oder einer Vorschrift erforderlich sind, um sie in die Lage zu versetzen, ihre Verpflichtungen aufgrund dieses Vertrages zu erfüllen und die Rechtmäßigkeit, Wirksamkeit, Durchsetzbarkeit und Zulässigkeit dieses Vertrages als Beweismittel in Deutschland sicherzustellen, unverzüglich einholen, einhalten und alles Erforderliche unternehmen, damit diese uneingeschränkt wirksam bleiben.
- (2) Die Darlehensnehmerin wird sämtliche Gesetze, denen sie gegebenenfalls unterliegt, in jeder Hinsicht einhalten soweit die Nichteinhaltung solcher Gesetze ihre Fähigkeit zur Erfüllung ihrer Verpflichtungen aufgrund dieses Vertrages erheblich beeinträchtigen würde.

§ 6
Sonderkündigungsgrund und Kündigung

- (1) Jedes der in diesem § 6(1) genannten Ereignisse oder Umstände ist ein Kündigungsgrund.
 - (a) Die Darlehensnehmerin zahlt einen gemäß diesem Vertrag fälligen Betrag nicht am Fälligkeitstag an dem Ort und in der Währung, die für die Zahlung vorgesehen sind, es sei denn, dass:
 - (i) ihre Nichtzahlung auf einem administrativen oder technischen Fehler beruht; und
 - (ii) die Zahlung innerhalb von fünf Geschäftstagen nach dem Fälligkeitstag erfolgt.
 - (b) Die Darlehensnehmerin erfüllt irgendeine Bestimmung dieses Vertrages nicht (mit Ausnahme der in § 6.1(a) genannten), es sei denn, dass:
 - (i) die Nichterfüllung geheilt werden kann und innerhalb von fünf Geschäftstagen geheilt wird, nachdem die Darlehensgeberin die Darlehensnehmerin benachrichtigt hat oder die Darlehensnehmerin von ihrer Nichterfüllung Kenntnis erlangt; oder

§ 5
General Undertakings

The undertakings in this § 5 shall remain in force from the date of this Agreement for so long as any Advance is outstanding under this Agreement.

- (1) The Borrower shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required under any law or regulation to enable it to perform its obligations under this Agreement and to ensure the legality, validity, enforceability or admissibility in evidence in Germany of this Agreement.
- (2) The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under this Agreement.

§ 6
Events of Default and Acceleration

- (1) Each of the events or circumstances set out in this § 6(1) is an Event of Default.
 - (a) The Borrower does not pay on the due date any amount payable pursuant to this Agreement at the place and in the currency in which it is expressed to be payable, unless:
 - (i) its failure to pay is caused by administrative or technical error; and
 - (ii) payment is made within five Business Days of its due date.
 - (b) The Borrower does not comply with any provision of this Agreement (other than those referred to in § 6.1(a), unless:
 - (i) the failure to comply is capable of remedy and is remedied within five Business Days of the Lender giving notice to the Borrower or the Borrower becoming aware of its failure to comply; or

(ii) dieses Ereignis keine erheblichen Auswirkungen auf die Fähigkeit der Darlehensnehmerin zur Leistung von Zinszahlungen und Tilgungszahlungen gemäß diesem Vertrag hat.

(c) Eine Zusicherung oder Erklärung, die von der Darlehensnehmerin in diesem Vertrag abgegeben wurde bzw. als abgegeben gilt, ist oder erweist sich in irgendeiner wesentlichen Hinsicht als zum Zeitpunkt der Abgabe oder angenommenen Abgabe unrichtig oder irreführend, es sei denn, dass die Tatsachen und Umstände, die die falsche Darstellung verursacht haben, keine erheblichen Auswirkungen auf die Fähigkeit der Darlehensnehmerin zur Leistung von Zinszahlungen und Tilgungszahlungen gemäß diesem Vertrag haben.

(2) Bei und jederzeit nach Eintritt eines Kündigungsgrundes, der fortbesteht, kann die Darlehensgeberin durch Mitteilung an die Darlehensnehmerin:

(a) das Darlehen und alle unter diesem Vertrag angefallenen Beträge unverzüglich ganz oder teilweise fällig stellen, woraufhin diese unverzüglich (aber vorbehaltlich § 3(2) und § 3(3)) fällig werden; und/oder

(b) das Darlehen ganz oder teilweise für auf Verlangen zahlbar erklären, woraufhin es auf Verlangen der Darlehensgeberin unverzüglich (aber vorbehaltlich § 3(2) und § 3(3)) fällig wird.

(ii) such event will not materially affect the Borrower's ability to make interest payments and principal repayments under this Agreement.

(c) Any representation or statement made or deemed to be made by the Borrower in this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made, unless the facts and circumstances giving rise to the misrepresentation do not materially affect the Borrower's ability to make interest payments and principal repayments under this Agreement.

(2) On and at any time after the occurrence of an Event of Default which is continuing, the Lender may by notice to the Borrower:

(a) declare that all or part of the Loan and all other amounts accrued under this Agreement be immediately due and payable, whereupon they shall become immediately due and payable (subject to § 3(2) and § 3(3)); and/or

(b) declare that all or part of the Loan be payable on demand, whereupon the same shall immediately become payable on demand by the Lender (subject to § 3(2) and § 3(3)).

§ 7

Wechsel der Parteien

Weder die Darlehensgeberin noch die Darlehensnehmerin sind berechtigt, irgendwelche ihrer jeweiligen Rechte aus diesem Vertrag abzutreten oder zu übertragen oder irgendwelche ihrer jeweiligen Verpflichtungen aufgrund dieses Vertrages ohne die vorherige schriftliche Zustimmung der jeweils anderen Partei zu übertragen.

§ 8

Zahlungen

(1) Die Darlehensgeberin und die Darlehensnehmerin sind nicht berechtigt, fällige Verpflichtungen, die eine von ihnen schuldet, gegen eine fällige Verpflichtung aufzurechnen, die die andere von ihnen schuldet, unabhängig vom Zahlungsort oder der Währung jeder Verpflichtung oder ob diese sich auf diesen Vertrag bezieht oder nicht.

§ 7

Changes to the Parties

Neither the Lender nor the Borrower may assign or transfer, as applicable, any of its rights or transfer any of its obligations under this Agreement without the prior written consent of the other party.

§ 8

Payments

(1) The Lender and the Borrower shall not set off any matured obligation due from the other party against any matured obligation owed by it to the other party, regardless of the place of payment or currency of either obligation or whether the obligations relate to this Agreement or not.

- (2) Jede Zahlung, die an einem Tag fällig ist, der kein Geschäftstag ist, hat am darauf folgenden Geschäftstag zu erfolgen.

- (2) Any payment which is due to be made on a day that is not a Business Day shall be made on the next following Business Day.

§ 9 Kommunikation

Jede Mitteilung gemäß diesem Vertrag muss schriftlich erfolgen und per Einschreiben, Kurier, bestätigter Sendung oder Fax zu Händen der nachstehend genannten Personen an die jeweiligen Anschriften der Parteien oder die in diesem Vertrag genannten eingetragenen Sitze oder, bei Sendung per Fax, an die jeweils nachstehend genannten Nummern gesendet bzw. übermittelt werden:

Lender:

[*absichtlich weggelassen*]

Borrower:

[*absichtlich weggelassen*]

§ 9 Notices

Any notice to be given under this Agreement shall be in writing and shall be delivered to or sent by registered, special delivery or recorded post or by facsimile transmission for the attention of the persons set out below to the parties' respective addresses or registered offices as set out in this Agreement or, in the case of facsimile transmission, to the respective numbers set out below:

Lender:

[*intentionally omitted*]

Borrower:

[*intentionally omitted*]

§ 10 Teilunwirksamkeit

Sollte irgendeine Bestimmung dieses Vertrages aus irgendeinem Grund unwirksam, ungesetzlich oder undurchsetzbar sein, gilt sie als durch diejenige wirksame, gesetzliche und durchsetzbare Bestimmung ersetzt, die der in der betreffenden Bestimmung niedergelegten Absicht der Parteien soweit wie möglich nahe kommt, und die Wirksamkeit, Gesetzlichkeit und Durchsetzbarkeit der übrigen Bestimmungen dieses Vertrages wird hierdurch in keiner Weise berührt oder beeinträchtigt.

§ 10 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 shall in no way be affected or impaired thereby.

§ 11 Änderungen und Verzichtserklärungen

Eine Änderung oder Verzichtserklärung in Bezug auf irgendeine Bestimmung dieses Vertrages ist nur mit schriftlicher Zustimmung der Darlehensgeberin und der Darlehensnehmerin möglich.

§ 11 Amendments and Waivers

Any term of this Agreement may be amended or waived only with the written consent of the Lender and the Borrower.

§ 12 Schlussbestimmungen

- (1) Dieser Vertrag unterliegt dem Recht der Bundesrepublik Deutschland und die Parteien unterwerfen sich unwiderruflich dem Landgericht München, als nicht-ausschließlichem Gerichtsstand. Die deutschen kollisionsrechtlichen Vorschriften sind nicht anwendbar.

§ 12 Final Clauses

- (1) 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*) Munich. The German law regarding conflicts of law shall not be applicable.

(2) Dieser Vertrag kann in mehreren Ausfertigungen und durch die Parteien in getrennten Ausfertigungen unterzeichnet und übergeben werden, von denen jede ein Original darstellt, jedoch alle zusammen ein und dasselbe Instrument bilden.

(3) Die deutsche Fassung dieses Vertrages ist bindend.

Anhang I – Beteiligungsvertrag

Anhang II – Emissionsbedingungen der Capital Securities

(2) This Agreement may be executed and delivered in any number of counterparts and by the parties on separate counterparts, each of which is an original, but all of which taken together constitute one and the same instrument.

(3) The German version of this Agreement shall be the binding version.

Annex I – Participation Agreement

Annex II –Terms and Conditions of the Capital Securities

DESCRIPTION OF THE CONTRIBUTION AGREEMENT

Upon distribution of Profit Participation Payments to the Issuer or the replenishment of the Silent Contribution following a Reduction, MünchenerHyp must withhold amounts on account of German Withholding Tax plus solidarity surcharge (*Solidaritätszuschlag*) payable on the distributed amounts and/or on the amount of the replenishment pursuant to § 43(1) No. 3 German Income Tax Act (*EStG*), unless the tax authorities have granted a tax exemption for such payments.

The withholding of such amounts is treated as a prepayment of the corporate income tax liability of that part of the Issuer's profits that is attributable to the Issuer Limited Partner under German tax law. To the extent that any such prepayment exceeds the actual amount of corporate income tax payable by the Issuer Limited Partner, the Issuer Limited Partner will have a Tax Refund Claim against the German tax authorities.

On or about 24 November 2009, the Issuer General Partner and the Issuer Limited Partner will enter into the Contribution Agreement according to which the Issuer Limited Partner is obliged to contribute to the Issuer all payments that it receives from the German tax authorities on account of its Tax Refund Claims. Under the Contribution Agreement, the Issuer must use the monies received as Contribution Payments to make repayments under the Loan Agreement.

The Contribution Agreement is governed by, and construed in accordance with, German law.

DESCRIPTION OF THE FIDUCIARY ASSIGNMENT AGREEMENT

On or about 24 November 2009, *inter alia* the Bank, the Lender, the Issuer, the Issuer General Partner, the Issuer Limited Partner, and BNP Paribas Trust Corporation UK Limited, London acting as security trustee for the benefit of Security Holders will enter into the Fiduciary Assignment Agreement.

Under the Fiduciary Assignment Agreement, the Issuer will assign to the Security Trustee all its (present and future, conditional and unconditional) payment claims against MünchenerHyp under the Participation Agreement and the Loan Agreement. The payment claims which will be assigned under the Fiduciary Assignment Agreement are the “**Assigned Claims**”. The Fiduciary Assignment Agreement provides that any existing payment claims under the Participation Agreement and the Loan Agreement shall pass to the Security Trustee immediately and that any and all future payment claims under the Participation Agreement and the Loan Agreement shall pass to the Security Trustee as they arise.

The purpose of the assignment of the payment claims under the Fiduciary Assignment Agreement is to create collateral for the benefit of Security Holders in order to secure the Security Holders' claims for Coupon Payments and Capital Payments under the Capital Securities.

Under the Fiduciary Assignment Agreement the Security Trustee holds the Assigned Claims in trust for the benefit of the Security Holders to secure payments to be made to the Security Holders under the Capital Securities. The Security Trustee may not dispose of the Assigned Claims (i) without the prior written consent of the holders of 100 per cent. of the Capital Securities or (ii) through transactions which are adverse to the interests of the holders of the Capital Securities. In case the payments due in respect of the respective Assigned Claims are not made as and when due, the Security Trustee is obliged to assert any such Assigned Claims against the relevant debtor. However, pursuant to the terms of the Fiduciary Assignment Agreement, the Security Trustee will not be obliged to take any action to enforce such Assigned Claims, unless the Issuer undertakes to cover all its costs related to such action. Further, as long as the Security Trustee has not been indemnified and held harmless, the Security Trustee shall be entitled to retain all amounts received in respect of the claims assigned to it under the Fiduciary Assignment Agreement to cover its costs, expenses etc. or to refrain from performing its tasks under the Fiduciary Assignment Agreement.

The Fiduciary Assignment Agreement further provides that the Issuer may not dispose of the Assigned Claims and that the Issuer Limited Partner may not dispose of its Tax Refund Claims. In particular, the Issuer and the Issuer Limited Partner are prohibited from encumbering the Assigned Claims and the Tax Refund Claims, respectively, with any third party rights or taking any action that might adversely affect or jeopardise the Assigned Claims or the Tax Refund Claims.

Under the terms of the Fiduciary Assignment Agreement the Security Trustee may retire at any time. Such retirement does not become effective until (i) the appointment of a new security trustee, (ii) the transfer of all Assigned Claims to such new security trustee and (iii) such new security trustee's accession to the Fiduciary Assignment Agreement. Any such replacement security trustee would be appointed by the Issuer with the prior consent of the Bank and must be a bank that has its corporate seat, and is licensed to conduct banking business, in either Germany or the United Kingdom or be a fully-owned direct or indirect subsidiary of such a bank.

The Fiduciary Assignment Agreement is governed by, and construed in accordance with, German law.

GENERAL INFORMATION ON THE ISSUER

Legal and Commercial Name, Place of Registration, Registration Number

The Issuer was established on 4 September 2008 and registered under the name "Isar Capital Funding I Limited Partnership" under the Limited Partnerships (Jersey) Law 1994, as amended. It is registered with the Jersey Registrar of Limited Partnerships under no. LP1096. The Issuer was established for an unlimited duration and is not a legal entity separate from its partners and has no operating history. The Issuer has been established as a special purpose vehicle for the purpose of implementing the transaction described in this Prospectus, including the issue of the Capital Securities.

The Issuer has not conducted any business since the date of its establishment and has not incurred any liabilities other than liabilities incidental to its establishment and administration.

Contributed Capital

Pursuant to the limited partnership agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 3 September 2008, the partnership capital of the Issuer amounted to US\$1,000 (one thousand US Dollar). The limited partnership agreement dated 3 September 2008 has been amended by an amendment agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 30 October 2009 pursuant to which the partnership capital of the Issuer amounts to EUR 1,000.

Partners

The Issuer General Partner is Isar Capital Funding I Limited, a limited liability company incorporated under Jersey law whose sole beneficial shareholder is Maurant & Co. Trustees Limited as trustee for The Isar Capital Funding I Charitable Trust, an independent charitable trust domiciled in Jersey. The Issuer Limited Partner is Isar Funding I GmbH, a limited liability company incorporated under German law and domiciled in Munich, Germany. The sole beneficial shareholder of the Issuer Limited Partner is Maurant & Co. Trustees Limited as trustee for The Isar Funding I GmbH Charitable Trust, an independent charitable trust domiciled in Jersey.

Principal Activities

The business purpose of the Issuer is, pursuant to a limited partnership agreement entered into by the Issuer General Partner and the Issuer Limited Partner on 4 September 2008, to participate as silent partner in the business of the Bank and, for this purpose, to raise capital by the issuance of debt securities and to undertake certain activities related thereto. The Issuer is further entitled to engage in any ancillary businesses which promote the foregoing principal business purpose. The principal activities of the Issuer correspond with the business purpose stipulated in the limited partnership agreement. The Issuer has no employees. The Issuer is not rated.

Management

The Issuer acts through the Issuer General Partner who has the sole power to represent the partnership. The Issuer General Partner may be contacted at the registered office of the Issuer which is 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands, telephone no. +44 1534 609000. The current directors of the Issuer General Partner are:

Name	Function
Helen Grant	Director
Dean Godwin	Director
Chris Ruark	Director

Each of the above members of the Issuer General Partner's management are employees of a subsidiary of Maurant Limited, which wholly owns Maurant & Co. Limited and Maurant & Co. Trustees Limited. The relevant members of the Maurant group, as well as Maurant du Feu & Jeune, are remunerated in respect of the services supplied to the Issuer and the Issuer General Partner and for acting as trustee of The Isar Capital Funding I Charitable Trust and The Isar Funding I GmbH Charitable Trust.

The directors of the Issuer General Partner receive no remuneration from the Issuer General Partner for their services. The directors do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer General Partner. The directorship of the directors is provided by Maurant & Co Limited as part of the overall corporate administration services provided to the Issuer General Partner pursuant to a Corporate Administration Agreement dated 29 October 2009 made between the Issuer General Partner and Maurant & Co Limited.

As Maurant employees, the directors of the Issuer General Partner have directorships of other companies (including companies conducting similar activities to the Issuer General Partner) and may engage in other activities and have other interests which may conflict with the interests of the Issuer. As a matter of Jersey law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

The business address of each of the directors of the Issuer General Partner is 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands.

Fiscal Year

The fiscal year of the Issuer corresponds to the calendar year. The first fiscal year of the Issuer ended on 31 December 2008.

Auditor

The independent auditor of the Issuer is PricewaterhouseCoopers C.I. LLP having its address at 22 Colomberie, St Helier, Jersey JE1 4XA, Channel Islands. All partners of PricewaterhouseCoopers C.I. LLP are members of the Institute of Chartered Accountancy (England & Wales).

A copy of the audited accounts of the Issuer may be obtained at the Issuer's registered office at 22 Grenville Street, St Helier, Jersey JE4 8PX, Channel Islands.

Historical Financial Information

The annual financial statements of the Issuer for the fiscal year ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) and were audited by PricewaterhouseCoopers C.I. LLP and certified with an unqualified audit opinion. The unaudited financial statements of the Issuer for the period ended 30 June 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS).

The annual financial statements of the Issuer for the financial year ended 31 December 2008 and the unaudited financial statements of the Issuer for the period ended 30 June 2009 shall be deemed to be incorporated in, and form part of, this Prospectus (see also section "DOCUMENTS INCORPORATED BY REFERENCE").

Legal and Arbitration Proceedings

The Issuer is not and has not been involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have any material adverse effect on the Issuer's financial position or profitability or have had such an effect in the recent past.

Statement of "No Material Adverse Change"

Unless otherwise disclosed in this Prospectus, there has been no material adverse change in the financial position or the prospects of the Issuer since 31 December 2008 (the date of its last published audited annual financial statements).

Material Contracts

The Issuer has not entered into any material contracts which have a negative material effect on the financial condition of the Issuer.

Capital Contributions on the Issue Date

Under the limited partnership agreement, the Issuer General Partner and the Issuer Limited Partner have agreed to make an initial capital contribution (in relation to each such party, its Capital Contribution) to the Issuer in the following amounts:

	EUR
Issuer General Partner	0.10
Issuer Limited Partner	999.90

Provided that the Issuer Limited Partner does not become involved with the management of the Issuer other than in the circumstances provided in the limited partnership agreement, the liability of the Issuer Limited Partner for the debts or obligations of the Issuer will be limited to its Capital Contribution and any additional capital contribution that it has made or agreed to make to the Issuer.

Capitalisation on the Issue Date

The following table sets forth the Issuer's contributed capital on 30 October 2009 and as adjusted for the consummation of the transaction:

	Contributed Capital
30 October 2009.....	EUR 1,000
Issue Date.....	EUR 1,000

In addition, as of the Issue Date, the Issuer will have additional liabilities incurred under, and in the aggregate nominal amount of, the Capital Securities.

There has been no material adverse change in respect of the capitalisation of the Issuer since 31 December 2008.

Ordinary Issuer Relocation

The constitutional documents of the Issuer and the Issuer General Partner provide that the Issuer and the Issuer General Partner can relocate their respective principal places of business and tax jurisdiction for German trade tax purposes to Germany (such relocation an "Ordinary Issuer Relocation") upon the occurrence of an Issuer Relocation Event.

An Issuer Relocation Event means receipt by each of the Issuer General Partner and the trustees of the charitable trust that owns the Issuer General Partner on or prior to 30 September in any year of a written request by MünchenerHyp (or any legal successor thereof) to take such action as is necessary to effect an Ordinary Issuer Relocation with effect as of 1 January of the following year. The addressees of such notice will only effect the Ordinary Issuer Relocation upon fulfilment of, *inter alia*, the following conditions: They have received: (i) a legal opinion by reputable German legal counsel confirming that (a) an Ordinary Issuer Relocation will not

adversely affect the legal existence of the rights and claims of the Security Holders as set forth in the terms and conditions of the Capital Securities nor the German law governed rights and claims of the Issuer's other creditors, (b) all regulatory approvals which may be necessary in Germany to effect the Ordinary Issuer Relocation have been obtained, and (ii) satisfactory proof that MünchenerHyp has undertaken to the Issuer General Partner and the Issuer to indemnify each of them in respect of any German Withholding Tax (*Kapitalertragsteuer*) or any other withholding tax which the Issuer may become obliged to withhold or deduct on payments under the Capital Securities (such as to allow the Issuer to pay such Additional Amounts (as defined in the Terms and Conditions of the Capital Securities) to the holders of the Capital Securities in respect of such withholdings and deductions as provided for in the terms and conditions of the Capital Securities), any property tax, if applicable, and any trade, income or any other tax becoming payable by the Issuer or the Issuer General Partner as a consequence of the Ordinary Issuer Relocation.

DESCRIPTION OF MÜNCHENER HYPOTHEKENBANK eG

History and Development

Legal and Commercial Name, Place of Registration, Registration Number

Münchener Hypothekenbank eG is registered with the Register of Cooperatives (*Genossenschaftsregister*) of the local court (*Amtsgericht*) in Munich under registration number GnR 396.

Date of Incorporation

MünchenerHyp was incorporated on 9 December 1896 in Munich under the name of Bayerische Landwirtschaftsbank in the form of a registered co-operative with limited liability ("*eGmbH*"). Since 1971, MünchenerHyp does business under the name of Münchener Hypothekenbank eG.

Domicile, Address, Telephone Number, Legal Form, Legislation, Protection Scheme

MünchenerHyp's head office is located at Karl-Scharnagl-Ring 10, 80539 Munich, Federal Republic of Germany, (Telephone: +49 (89) 5387-800).

MünchenerHyp is a registered cooperative (*eingetragene Genossenschaft*) governed by the provisions of German law. MünchenerHyp is authorised to conduct business and to provide services subject to the requirements under the Pfandbrief Act (*Pfandbriefgesetz*) and the Banking Act (*Gesetz über das Kreditwesen*). MünchenerHyp is supervised by the German Central Bank (*Deutsche Bundesbank*) and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

MünchenerHyp is a member of the Protection Scheme of the National Association of German Cooperative Banks (*Sicherungseinrichtung des Bundesverbandes der Deutschen Volksbanken und Raiffeisenbanken e.V.*) (the "**Protection Scheme**"). The Protection Scheme is of vital importance for the participating cooperative banks as it is decisive in ensuring the solvency of these banks. The purpose of the Protection Scheme is to avert or remedy imminent or existing financial difficulties of the participating cooperative banks (institution protection / *Institutsschutz*). Based on the statute of the Protection Scheme all deposits and unsubordinated notes held by non-bank customers of the participating cooperative banks are protected without any limitation. In accordance with the statutes of the Protection Scheme the Bank has issued a guarantee to the National Association of German Cooperative Banks. As a result, the Bank has a contingent liability of EUR 9,452,000.

The Capital Securities issued by Isar Capital Funding I Limited Partnership, St. Helier, Jersey, Channel Islands, which relate to the Silent Contribution with MünchenerHyp under the Participation Agreement to be dated on or about 24 November 2009, are not protected by the Protection Scheme.

Description of the Liquidity

In addition to internal management tools, the Bank's short-term liquidity risk is limited by the relevant German banking regulations. MünchenerHyp is required by the Liquidity Regulation (*Liquiditätsverordnung*) to maintain a liquidity ratio for the maturity band I of 1. MünchenerHyp complied with the requirements of section 11 of the Banking Act (*Gesetz über das Kreditwesen*) in connection with the Liquidity Regulation (*Liquiditätsverordnung*) at all times during the financial year 2008.

Liquidity ratios of MünchenerHyp as per the Liquidity Regulation (*Liquiditätsverordnung*)

	30 September 2009	30 June 2009	31 Mar. 2009	31 Dec. 2008	31 Dec. 2007
Band I					
(up to 1 month)	2.46	2.91	2.80	2.65	1.22

To secure its day-to-day liquidity, the Bank's liquidity management function has a portfolio of qualifying securities for central bank repurchase operations at its disposal that it can sell at short notice or deposit as security for refinancing transactions with central banks.

The Bank has a low risk of unplanned liquidity outflows, due to the fact that MünchenerHyp does not offer variable lines of credit to its customers.

Furthermore – should there be appropriate cover in the cover funds for Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) – this can also be used as security of government credit portfolios for "Repo" business with the European Central Bank (ECB).

Business Overview

Principal Activities

According to its Articles of Association, MünchenerHyp's purpose is to support and promote the commercial interests of its members. The object of the Bank is the handling of all permissible transactions in accordance with the terms of the Pfandbrief Act (*Pfandbriefgesetz*) and the Banking Act (*Gesetz über das Kreditwesen*). The business may be extended to non-members. The Bank may establish subsidiary offices and hold stakes in companies.

In order to perform this duty, Mortgage Pfandbriefe (*Hypothekendarlehen*), Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) and unsecured debentures may be issued and loans may be taken out. ("Pfandbriefe" when used in this Prospectus means non-equity securities within the meaning of Art. 22 No. 6 (3) of the Commission Regulation (EC) No 809/2004 of 29 April 2004)

Private Customer Business Sector

In the area of private property finance MünchenerHyp is a member of the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*) and thereby a partner of the approximately 1,200 Volksbanken and Raiffeisenbanken. Due to the immense sales strength of the cooperative partner banks, which have about 13,600 branches spread throughout the Federal Republic of Germany, MünchenerHyp is locally present in every region of the country.

MünchenerHyp maintains 11 regional offices staffed by experts throughout the Federal Republic of Germany to support the ongoing business relationships with the Volksbanken and Raiffeisenbanken. MünchenerHyp conducts its private residential lending business via the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*), the Volksbanken and Raiffeisenbanken and the regional offices, which serve as lending partners to the local banks within the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*).

Home Building Industry

In providing financing for housing cooperatives and other housing construction companies MünchenerHyp collaborates both with the local cooperative banks and with specialised national partners. The business strategy is to focus on the financing of properties in good locations with secure profitability for the long term.

Commercial Property Financing Business

MünchenerHyp engages in commercial property financing

- as an intermediary business with the Volksbanken and Raiffeisenbanken, which procure mortgage loans for MünchenerHyp, and
- as large-volume financing, in the Federal Republic of Germany and internationally, as a direct business activity and as syndicated business, which MünchenerHyp acquires through its own sales activities.

MünchenerHyp views the direct commercial property financing business as one of the core areas in its business strategy. The aim is to grow this business area organically to achieve supplemental qualitative growth that will flank the private customer financing business with the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*).

Syndicated Business in the Federal Republic of Germany and Abroad

In the syndicated business area MünchenerHyp participates in property financing offered to it by partner banks in the Federal Republic of Germany and abroad. MünchenerHyp thus gains access to customers and markets, which MünchenerHyp cannot acquire directly. The business strategy and target markets are identical with those in the direct acquisition business.

Public Sector Lending and Municipal Loans

MünchenerHyp continues to operate in the public-sector lending area without setting any volume targets. Loans are agreed purely on the basis of returns, and in particular include negotiable promissory notes (*Schuldscheine*) issued by federal states, regional and local authorities, and public-sector credit institutions.

In municipal lending, too, the commitments of MünchenerHyp are dependent on the return that can be achieved. MünchenerHyp concentrates on granting loans for which regional and local authorities have liability or take full liability or guarantee. Borrowers in this area include cities, rural districts, special-purpose associations, and private borrowers who are secured to the level of 100 per cent. by modified non-performance guarantees of a regional or local authority. In principle, MünchenerHyp works in conjunction with the Volksbanken and Raiffeisenbanken in order to support and foster the close connection with the Cooperative Financial Services Network (*genossenschaftlicher FinanzVerbund*) in this business area.

In international business, bonds are mainly purchased from borrowers which have been given at least a triple B rating from a leading rating agency or the same level of internal rating should an external rating not have been given.

Refinancing

The refinancing business of the Bank is carried out primarily through the issuance of Pfandbriefe (Mortgage Pfandbriefe (*Hypothekendarlehen*) and Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*). Senior unsecured bonds and notes as well as Commercial Paper are also issued by the Bank.

The Bank tries to achieve a liquidity matching financing of its assets. The good standing of the Bank should at all times be preserved. The relation of opportunistic small sized private placements and strategic high volume bonds should be balanced.

Principal Markets

MünchenerHyp is particularly focused on the German market. Around 58 per cent. of new mortgage lending business in the first nine months of the financial year 2009 was generated in the Federal Republic of Germany. The domestic direct commercial business activities of MünchenerHyp are headed by its main office in Munich, which is supplemented by sales offices in Frankfurt am Main, Hamburg and Berlin. The financing concentrates on commercial property in good locations with a variety of uses and chiefly comprises office buildings, retail property, shopping centres and logistics properties.

MünchenerHyp is represented internationally in the strategically important global markets by cooperating partners based in London, New York, Paris, Madrid and Vienna. The partners are well connected locally and have years of experience of the market. Apart

from the acquisition of new business the partners look after existing operations and advise MünchenerHyp on market, risk and property assessments in their local markets.

Based on these measures, MünchenerHyp has been able to successfully expand the direct commercial business in recent years and gain market share, with direct business activities dominating in the Federal Republic of Germany and consortium activities in other countries. Particularly in the United States of America, MünchenerHyp has made clear gains and strengthened its market position. The major American banks consider MünchenerHyp to be a reliable partner. MünchenerHyp primarily participates in first-ranking loan tranches with low loan to value ratios. MünchenerHyp's second regional focal point is Western Europe, where MünchenerHyp is particularly active in the United Kingdom, France, Benelux countries, Austria, Switzerland, Denmark, Sweden and Spain.

Organisational Structure

Subsidiary Companies

MünchenerHyp has five subsidiaries: M-Wert GmbH, Immobilienservice GmbH der Münchener Hypothekenbank eG ("M-Service-GmbH"), Nußbaumstraße GmbH & Co. KG, CM Komplementär 07-868 GmbH & Co. KG and Blitz 07-671 GmbH.

The capital of these companies is fully owned by MünchenerHyp.

M-Wert GmbH's core business is to prepare market and current value appraisals of all categories of properties and to determine lending values under paragraph 16 Pfandbrief Act (*Pfandbriefgesetz*). In addition, M-Wert is also active in evaluating building plans and project developments, property reviews, documenting construction progress, examining external appraisals and providing expert advice during compulsory measures.

M-Service GmbH supports the Bank's workout-management and property management departments.

Due to the subordinated significance of the subsidiaries for property, finance and net earnings position, the Bank has decided to dispense with the compilation of consolidated group financial statements in accordance with section 296 (2) of the German Commercial Code (*Handelsgesetzbuch*).

Trend Information

Statement of "No Material Adverse Change"

There has been no material adverse change in the prospects of MünchenerHyp since 31 December 2008 (the date of the last published audited annual financial statements).

Business Development and Outlook for the year 2009

MünchenerHyp granted EUR 1.4 billion new mortgage loans by September 30, 2009. In so far the residential mortgage business compares to the level of 2008. In contrast the Bank has reduced new commercial mortgage lending in order to meet the current difficult market environment.

Market conditions in the residential property finance segment were influenced by general strong demand for residential housing in Germany on the one hand as well as higher funding costs in tandem with falling interest rates for loans on the other hand. Mortgage loan activities by regional banks and insurance companies offering attractive conditions resulted in even tougher competition in this sector. Pressure therefore remained unchanged in a business that has been marked by relatively low margins for years now. Higher funding costs partially offset adjustments made to lending conditions. The Banks cooperation with Swiss PostFinance continued to develop as planned due to the robust stability of the Swiss property and finance market.

Driven by the global economic and financial market crisis, commercial property transactions fell sharply. For this reason the Bank initially observed market developments in this area of business, and subsequently entered the market on a selective basis only. First signs that the markets were stabilising were visible in the second quarter. Given that MünchenerHyp funds its activities primarily with Pfandbriefe, the Bank basically remained within the sound framework of loans meeting the strict prerequisites for Pfandbrief funding.

During the first nine months of the year MünchenerHyp booked syndicated loans on a selective basis and did not enter into any new financing consortiums due to the syndication market still operating on a very limited basis.

Outlook

Property markets are not expected to experience a quick recovery. Expectations foresee that the economic and financial market crisis will continue to burden the rest of 2009. It is expected that the level of building permits granted in Germany will once again fall to a new historic low. However, as long as interest rates remain low, demand for residential property should remain stable. MünchenerHyp will continue to support business opportunities arising from this situation for its partner banks within and outside the Cooperative Financial Services Network.

Capital ratio requirements for commercial property finance transactions in Germany and abroad will most likely rise. Furthermore estimates predict that the volume of investments made in Europe in 2009 will be EUR 50 billion less than in the same period a year-ago. In light of these developments, MünchenerHyp will engage in commercial property financing deals on a selective basis only. The Banks focus is on providing service to existing customers and on financing transactions that, for the most part, can be funded via Pfandbriefe.

The financial market crisis will also influence the main parameters of MünchenerHyp's business model in 2009 and beyond. For this reason and others, the Bank will continually examine the opportunities and risks of its business model and adjust it as necessary to

meet market requirements as they occur.

Despite the unchanged difficult overall conditions, MünchenerHyp is striving to once again attain results from operations at the level recorded in the previous year.

Management and Supervisory Bodies

MünchenerHyp's governing bodies are the Board of Management, the Supervisory Board and the General Meeting (*Generalversammlung*) / meeting of representatives (*Vertreterversammlung*). The responsibilities of these various governing bodies are prescribed in the German Law on Cooperative Associations (*Deutsches Genossenschaftsgesetz*) and in MünchenerHyp's Articles of Association.

Board of Management

Pursuant to MünchenerHyp's Articles of Association, the Board of Management consists of at least two members. Members of the Board of Management are appointed or dismissed by the Supervisory Board. The Supervisory Board can appoint a chairman or speaker of the Board of Management.

The Board of Management currently consists of the following persons:

Name	Responsibilities within MünchenerHyp eG	Principal activities outside of MünchenerHyp eG
Erich Rödel Chairman of the Board of Management	By division: Accounting, Taxes, Human Resources, Internal Audit, Board of Management Staff/Corporate Communications, Transaction Management International and Individual Customers	BLE Bau- und Land-Entwicklungsgesellschaft Bayern GmbH, Munich - <i>Member of the Supervisory Board</i>
Dr. Louis Hagen Member of the Board of Management	By division: Risk Controlling, Legal, Transaction Management Private Customers, Transaction Management Treasury, Transaction Management Municipal Financing, Workout Management	none
Bernhard Heinlein Member of the Board of Management	By division: Private Customers, Private Housing Business, Brokers, Municipal Financing	none
Dr. Bernhard Scholz Member of the Board of Management	By division: Commercial Real Estate Customers, IT/Organisation, Credit-Treasury	none
Klaus Sturm Member of the Board of Management	By division: Capital Markets/Treasury, Properties/Services, Compliance	none

MünchenerHyp is represented by two members of the Board of Management or by one member of the Board of Management jointly together with one person who holds a general commercial power of attorney (*Prokurist*).

Supervisory Board

Pursuant to MünchenerHyp's Articles of Association, the Supervisory Board consists of at least seven members, who are elected by the General Meeting. Election proposals, which can only be submitted in writing by members, must be received by the Board of Management at the latest on the third working day before the General Meeting.

The Supervisory Board currently consists of the following persons:

Name	Principal activity
Prof. Dr. Willibald J. Folz Chairman of the Supervisory Board	Attorney
S.K.H. Herzog Max in Bayern Deputy Chairman of the Supervisory Board	Private business man
Michael Glos Member of the Supervisory Board	Master Miller

Konrad Irtel Member of the Supervisory Board	Speaker of the Board of Management of VR Bank Rosenheim-Chiemsee eG
Michael Jung Member of the Supervisory Board	Deputy Chairman of the Board of Management of Volksbank Bruchsal-Bretten eG
Wilfried Mocken Member of the Supervisory Board	General Attorney in Fact of Underberg KG
Hans Pfeifer Member of the Supervisory Board	Chairman of the Board of Management of Rheinisch-Westfälischer Genossenschaftsverband e.V.
Hans-Joachim Tonnellier Member of the Supervisory Board	Chairman of the Board of Management of Frankfurter Volksbank eG

The by-election for members, who depart during their term of office, is held at the next General Meeting. In the event that the number of members of the Supervisory Board should fall below four, a by-election for the remainder of the election period must be held within three months at the latest.

The Supervisory Board elects from amongst its members, under the chairmanship of the oldest member present, its Chairman and his deputy. In the event that the Chairman is incapacitated, where several deputies are elected, the Chairman shall be represented by the deputy who has been the longest serving member of the Supervisory Board.

The Supervisory Board has a quorum when, after being properly invited, at least half of the members are present, including the Chairman or a deputy Chairman. Resolutions may only be taken for exceptionally urgent affairs without the need for calling a meeting by written invitation or appropriate telecommunications media in the event the Chairman of the Supervisory Board or his deputy initiates such a resolution and no member of the Supervisory Board is opposed to this procedure.

Address of the Board of Management and the Supervisory Board

The Board of Management and the Supervisory Board may be contacted at MünchenerHyp's business address: Münchener Hypothekenbank eG, Karl-Scharnagl-Ring 10, 80539 Munich, Federal Republic of Germany.

General Meeting (Generalversammlung)

The Ordinary General Meeting is called within the first six months of the year by the Chairman of the Supervisory Board or by the Board of Management.

The Board of Management, as well as the Chairman of the Supervisory Board, have the right to call an Extraordinary General Meeting for important events.

These are called for by announcing the day of the General Meeting and the agenda at least two weeks beforehand. Where the General Meeting consists of representatives of the members then, instead of an announcement, the invitation to the meeting and the announcement of the agenda can be issued by registered letter. In this case, the notifications are deemed to have been made in time, provided the letters have been posted at least two working days before the start of the time limit.

The General Meeting is chaired by the Chairman of the Supervisory Board; he appoints the secretary, who must prepare the minutes of the meeting in accordance with § 47 of the German Law on Cooperative Associations (*Deutsches Genossenschaftsgesetz*). The minutes of the meeting must be signed by the Chairman of the Supervisory Board, the secretary and those members of the Board of Management who are present.

If the number of members exceeds 3,000 at the end of the financial year, representatives shall be elected at the next General Meeting from the group of members for the meeting of representatives (*Vertreterversammlung*) in accordance with § 43a of the German Law on Cooperative Associations (*Deutsches Genossenschaftsgesetz*), with one representative being elected for every 2,000 members present at the end of the last financial year, the total number of representatives to be elected shall be at least 52. In addition, when setting the sequence of filling vacated posts, at least five alternative representatives shall be elected.

The meeting of representatives (*Vertreterversammlung*) exercises the rights of the members in the affairs of the cooperative. The meeting of representatives (*Vertreterversammlung*) has a quorum, where the Chairman of the Supervisory Board and at least half of the representatives are present. Every representative has one vote. He is not bound by instructions. The representative cannot assign his office or the exercising of his rights to another person. Representatives, who are involved in an issue to be discussed, may not participate in a resolution concerning that issue.

Cover Assets Trustee

The following persons are currently appointed by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) to act as cover assets trustee (*Treuhänder der Deckungsmassen*):

Trustee:

Klaus Jasper, Ministry Director (ret.), Munich

Deputy Trustee:

Dr. Johann Haimerl, Ministry Director (ret.), Gilching

Conflict of Interests

There are no potential conflicts of interests between any duties to MünchenerHyp of the members of the Board of Management and the Supervisory Board and their private interests and/or other duties.

Major Members

As at 30 September 2009 the subscribed capital of MünchenerHyp amounted to EUR 381,494,977.69, composed of EUR 146,298,565.03 members capital contributions, divided into participation shares of EUR 70.00 each, and EUR 235,196,412.66 silent participations, all of which have been issued and fully paid, except of an amount of EUR 34.97 of the participation shares.

Approximately 38 per cent. of MünchenerHyp's members' capital contributions is held by primary banks and cooperative central banks. Approximately 62 per cent. are held by customers and other members.

None of the shareholders holds more than 0.96 per cent. of the participation shares in MünchenerHyp.

Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses

Historical Financial Information

The following documents shall be deemed to be incorporated in, and form part of, this Prospectus (see also section "DOCUMENTS INCORPORATED BY REFERENCE"):

- the Management Report, the Balance Sheet, the Income Statement, the Notes to the Financial Statements, the Auditors' Report and the Affirmation by the Legal Representatives for the financial year ended 31 December 2008, each document extracted from the Annual Report 2008;
- the Management Report, the Balance Sheet, the Income Statement, the Notes to the Financial Statements, the Auditors' Report and the Affirmation by the Legal Representatives for the financial year ended 31 December 2007, each document extracted from the Annual Report 2007;
- the Interim Management Report, the Balance Sheet as at 30 June 2009, the Income Statement 1 January through 30 June 2009, the Notes to the half-yearly Financial Statement as at 30 June 2009 (abridged), the Certification following Review and the Affirmation of the Legal Representatives, each document extracted from the unaudited Interim Financial Statements for the period 1 January to 30 June 2009.
- the Excerpt from the Balance Sheet as at 30 September 2009, the Excerpt from the Income Statement for the period 1 January to 30 September 2009, the Business Development for the period 1 January to 30 September 2009, each document extracted from the unaudited Business Figures September 2009.

Copies of the above mentioned documents may be obtained without charge from Münchener Hypothekbank eG, Karl-Scharnagl-Ring 10, 80539 Munich, Federal Republic of Germany. The above mentioned documents are also available at MünchenerHyp's website: www.muenchenerhyp.de.

Financial Statements

The annual financial statements and the management report of MünchenerHyp for the financial years ended 31 December 2008 and 2007 have been prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*) and supplementary provisions in the Articles of Association.

Capitalisation of MünchenerHyp

The following table sets out (i) the respective unaudited capitalisation of MünchenerHyp as at 30 September 2009 and 2008, as extracted from the unaudited Business Figures September 2009, as well as (ii) the capitalisation of MünchenerHyp as at 31 December 2008 and 2007, as extracted from the respective audited annual financial statements:

in EUR mln	30 Sept. 2009 (unaudited)	30 Sept. 2008 (unaudited)	31 Dec. 2008 (audited)	31 Dec. 2007 (audited)
Liabilities to banks	5,744	4,320	4,211	3,348
Registered mortgage Pfandbriefe issued	669	708	625	715
Registered public-sector Pfandbriefe issued	200	250	217	258
Other liabilities	4,875	3,362	3,369	2,375
Liabilities to customers	9,261	8,927	9,115	8,086
Registered mortgage Pfandbriefe issued	3,770	3,608	3,690	3,012
Registered public-sector Pfandbriefe issued	4,451	4,332	4,466	4,343
Other liabilities	1,040	987	959	731

Certificated liabilities	19,218	20,288	21,830	20,559
Mortgage Pfandbriefe issued	8,921	8,062	8,167	7,144
Public-sector Pfandbriefe issued	6,524	8,599	8,701	9,083
Other bonds issued	3,665	3,598	4,833	4,332
Money market paper	108	29	129	0
Deferred items	20	26	23	26
Subordinated liabilities	138	116	116	66
Profit-participation certificates	21	57	57	57
Capital and reserves				
(after allocation to the reserves)	657	648	665	643
Subscribed capital	381	375	389	370
a) Members' capital contributions	146	137	144	127
b) Silent participations	235	238	245	243
Revenue reserves	276	273	276	273
a) Legal reserve	275	272	275	272
b) Other revenue reserves	1	1	1	1
Net income *)	8	8	10	12
Other liabilities				
(including provisions and trust liabilities)	204	215	107	136
Total liabilities, capital and reserves	35,271	34,605	36,134	32,933
Contingent liabilities	99	57	107	56
Irrevocable loan commitments	1,181	1,954	2,100	1,314

*) The net income less transfer to reserves results in the net income.

Auditing of Historical Annual Financial Information

The auditor of MünchenerHyp for the financial years ended 31 December 2008 and 2007 was DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V., Pariser Platz 3, 10117 Berlin, Federal Republic of Germany.

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. has audited the annual financial statements as well as the respective management report of MünchenerHyp for the financial years ended 31 December 2008 and 2007 and has issued in each case an unqualified audit opinion.

The auditor is an extraordinary member of the Institute of Public Auditors in the Federal Republic of Germany, Incorporated Association (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on MünchenerHyp's financial position or profitability.

Statement of "No significant change in the Bank's financial or trading position"

There has been no significant change in the financial or trading position of MünchenerHyp since 30 June 2009 (the date of its unaudited Interim Financial Statements for the period 1 January to 30 June 2009).

Documents on Display

Copies of the following documents may be inspected on the website www.muenchenerhyp.de of MünchenerHyp and may be obtained without charge at the head office of Münchener Hypothekenbank eG, Karl-Scharnagl-Ring 10, 80539 Munich, Federal Republic of Germany, during normal business hours:

- German Law on Cooperative Associations (*Deutsches Genossenschaftsgesetz / only German version*);
- Articles of Association (*Satzung*);
- Annual Report 2008 including the audited management report and the audited annual financial statements of MünchenerHyp in

respect of the financial year ended 31 December 2008;

- Annual Report 2007 including the audited management report and the audited annual financial statements of MünchenerHyp in respect of the financial year ended 31 December 2007;
- Unaudited Interim Financial Statements for the period 1 January to 30 June 2009;
- Unaudited Business Figures September 2009.

Supplemental Information

Cash flow Statement for the financial years ended 31 December 2008 and 31 December 2007

The following table shows the cash flow statement of the Bank for the financial years ended 31 December 2008 and 31 December 2007, respectively. Please note that the cash flow statement does not form part of the audited historical financial information.

in EUR mln	Year 2008	Year 2007
Net income before extraordinary items	10.2	14.6
Non-cash items included in net result and reconciliation with cash flows from operating activities		
Write-downs, write-ups and depreciation on receivables, plant, property and equipment and on non-current financial assets	24.1	29.2
Change in accruals	-1.9	0.1
Change in other non-cash items	21.0	42.9
Gains/losses on the disposals of plant, property and equipment and non-current financial assets	5.2	-9.4
Other adjustments (net)	0.0	0.0
Sub-total	58.6	77.4
Change in assets and liabilities relating to operating activities		
Receivables		
- from financial institutions	-690.5	399.3
- from customers	-1,691.1	-1,315.7
Securities (except those treated as financial investments)	-72.7	-738.8
Other assets relating to operating activities	14.2	101.0
Payables		
- to financial institutions	820.6	714.0
- to customers	1,010.6	-75.2
Securitised liabilities	1,234.2	505.0
Other liabilities relating to operating activities	-163.7	-299.0
Interest and dividends received	1,633.2	1,566.3
Interest paid	-1,504.5	-1,445.1
Receipts/Payments for extraordinary items	0.0	-2.7
Payments for taxes on income	0.0	-1.3
Cash flows from operating activities	648.9	-514.8
Cash receipts from the disposal of		
- financial non-current assets	703.8	1,231.4
- property, plant and equipment	6.2	1.4
Cash payments for investment in		
- financial non-current assets	-1,439.6	-642.5
- property, plant and equipment	-1.6	-1.2
Receipts/Payments for changes at subsidiary companies	0.0	0.0
Changes in funds relating to other investing activities (net)	-4.8	-1.2
Cash flows from investing activities	-736.0	587.9
Cash receipts from capital changes	69.0	-31.0
Profit Distributions paid	-6.9	-6.8
Changes in funds relating to "other capital" (net)	0.0	0.0
Cash flows from financing activities	62.1	-37.8
Cash funds at the beginning of period	82.1	46.8
+/- Cash flows from operating activities	648.9	-514.8
+/- Cash flows from investing activities	-736.0	587.9
+/- Cash flows from financing activities	62.1	-37.8
+/- Change in cash funds from exchange rate movements	0.0	0.0
Cash funds at the end of period	57.1	82.1

Auditing of Historical Financial Information

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. is the auditor of Münchener Hypothekenbank eG. The auditor of the Bank has audited the historical financial statements (except for the cash flow statement) of the Bank for the two financial years ended 31 December 2008 and 31 December 2007 and has issued an unqualified opinion (*uneingeschränkter Bestätigungsvermerk*) in each case. As regards the cash flow statement, DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. issued on 16 March 2009 and 14 August 2008 the following attestation reports to the Bank:

“ATTESTATION REPORT

To Münchener Hypothekenbank eG, München

We have audited the statement of cash flows prepared by the company for the financial year from 1 January 2008 to 31 December 2008 excluding the preceding period from 1 January 2007 to 31 December 2007. The statement of cash flows supplements to the financial statements of Münchener Hypothekenbank eG, München, for the financial year from 1 January 2008 to 31 December 2008 prepared on the basis of the German generally accepted accounting principles.

The preparation of the statement of cash flows for the financial year from 1 January 2008 to 31 December 2008 excluding the preceding period from 1 January 2007 to 31 December 2007 is under the responsibility of the management of the company.

Our responsibility is to express an opinion based on our audit whether the statement of cash flows for the financial year from 1 January 2008 to 31 December 2008 excluding the preceding period from 1 January 2007 to 31 December 2007 has been properly prepared based on the financial statements for the financial year from 1 January 2008 to 31 December 2008 in accordance with the German generally accepted accounting principles. An audit of the underlying financial statements is not subject of this engagement.

We planned and performed our audit correspondingly to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) such that material misstatements in the preparation of the statement of cash flows based on the underlying financial statements are detected with reasonable assurance.

In our opinion, the statement of cash flows for the financial year from 1 January 2008 to 31 December 2008 excluding the preceding period from 1 January 2007 to 31 December 2007 has been properly prepared based on the financial statements for the financial year from 1 January 2008 to 31 December 2008 in accordance with the German generally accepted accounting principles.

Berlin, 16 March 2009

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

(Dr. Ott)

Auditor

(Lenkawa)

Auditor”

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. has not performed any audit on any financial statements of the Bank as of any date or for any period subsequent to 31 December 2008.

and

“ATTESTATION REPORT

To Münchener Hypothekenbank eG, München

We have audited the statement of cash flows prepared by the company for the fiscal year from 1 January 2007 to 31 December 2007 excluding the preceding period from 1 January 2006 to 31 December 2006. The statement of cash flows supplements to the financial statements of Münchener Hypothekenbank eG, München, for the fiscal year from 1 January 2007 to 31 December 2007 prepared on the basis of the German generally accepted accounting principles.

The preparation of the statement of cash flows for the fiscal year from 1 January 2007 to 31 December 2007 excluding the preceding period from 1 January 2006 to 31 December 2006 is under the responsibility of the management of the company.

Our responsibility is to express an opinion based on our audit whether the statement of cash flows for the fiscal year from 1 January 2007 to 31 December 2007 excluding the preceding period from 1 January 2006 to 31 December 2006 has been properly prepared based on the financial statements for the fiscal year from 1 January 2007 to 31 December 2007 in accordance with the German generally accepted accounting principles. An audit of the underlying financial statements is not subject of this engagement.

We planned and performed our audit correspondingly to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) such that material misstatements in the preparation of the statement of cash flows based on the underlying financial statements are detected with reasonable assurance.

In our opinion, the statement of cash flows for the fiscal year from 1 January 2007 to 31 December 2007 excluding the preceding period from 1 January 2006 to 31 December 2006 has been properly prepared based on the financial statements for the fiscal year from 1 January 2007 to 31 December 2007 in accordance with the German generally accepted accounting principles.

Berlin, 14 August 2008

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

(Dr. Ott)

(Lenkawa)

Auditor

Auditor”

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V. has not performed any audit on any financial statements of the Bank as of any date or for any period subsequent to 31 December 2007.

Material Contracts

Other than set out in this Prospectus, MünchenerHyp has not entered into any material contracts that are not entered into in the ordinary course of MünchenerHyp's business which could result in MünchenerHyp being under an obligation or entitlement that is material to MünchenerHyp's ability to meet its obligations towards the Issuer under the Participation Agreement and the Loan Agreement.

REGULATION

The following explains certain regulatory matters which are of significance to the business of MünchenerHyp.

Introduction

The specific legal basis for government supervision of the business activities of the Bank is found in the German Banking Act (*Gesetz über das Kreditwesen* or *KWG*), the Pfandbrief Act (*Pfandbriefgesetz*) and the rules and regulations issued on the basis of those laws. The German Banking Act contains the key foundations for the general supervision of banking institutions in Germany. The German Banking Act and the related regulations, directives, and announcements implement, among others, certain European directives applicable to banking institutions. These directives pertain to accounting practices, Liable Capital (*haftendes Eigenkapital*), risk-related capital adequacy, consolidated supervision, the monitoring and control of large exposures, the establishment of branches within the European Union, and the creation of a uniform banking market for the entire area of the European Union without internal restrictions on cross-border banking services. The German Banking Act imposes a licensing requirement on banking businesses and financial service providers and sets forth the regulatory requirements that credit institutions and financial services institutions must meet when conducting their business.

The Pfandbrief Act supplements the provisions of the German Banking Act in the Pfandbrief business. The Pfandbrief Act sets forth the special regulatory requirements to be met in that business, including requirements in the granting of mortgage loans and public-sector loans intended to cover mortgage Pfandbriefe (*Hypothekendarpfandbriefe*) and public Pfandbriefe (*Öffentliche Pfandbriefe*) and the requirements that have to be met concerning that coverage. Selected regulatory provisions of the German Banking Act and the Pfandbrief Act are discussed below.

License to Conduct Banking Business

The Bank is licensed to conduct general banking business and to provide financial services pursuant to the German Banking Act and to conduct Pfandbrief business pursuant to the Pfandbrief Act.

Banking Supervision in Germany

The most important supervisory authority for the Bank is the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “**BaFin**”). Among the particular emphases of supervision are licensing to conduct business and the appointment of management, compliance with capital requirements, liquidity requirements, and large exposure limits, as well as restrictions pertaining to certain business activities.

The BaFin is a public-law institution with legal capacity (*rechtsfähige Anstalt des öffentlichen Rechts*) that is under the legal and technical supervision of the German Federal Ministry of Finance. The BaFin is authorised to issue regulations for banks operating in Germany, as well as orders relating to specific cases. The BaFin performs its functions as a supervisory authority in close cooperation with the German Central Bank (*Deutsche Bundesbank*, the “**Bundesbank**”). The most important responsibility of the Bundesbank is the so-called ongoing monitoring of banks in Germany. This monitoring includes, in particular, the gathering and analysis of statistics and other reporting from German banks and the performance and analysis of regulatory reviews in the area of compliance with capital adequacy and risk management requirements.

As part of their supervisory function, the BaFin and the Bundesbank require banks in Germany to provide comprehensive information so that they can monitor compliance with the German Banking Act and other provisions of applicable laws.

Capital Adequacy Requirements

Regulatory Framework

The German Banking Act and the rules and regulations adopted thereunder implement, inter alia, 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 consists of three pillars. The first pillar provides for minimum capital requirements and requires higher levels of capital for those borrowers which present higher levels of credit risks, 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. The centerpiece of the EU legislation are the directives 2006/48/EC and 2006/49/EC (together also commonly referred to as **Capital Requirements Directives**). Subject to certain transitional provisions, the member states had to apply the Capital Requirements Directives from 1 January 2007, with the most sophisticated approaches to credit risk and operational risk being available from 2008.

At the national level, Basel II has been partly implemented in Germany by the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement*, "**MaRisk**") which were first published by the BaFin on 20 December 2005 and subsequently amended by Circular 5/2007 dated 30 October 2007 and Circular 15/2009 dated 14 August 2009. Further steps have been taken by amending the German Banking Act and adopting a Solvency Regulation (*Solvabilitätsverordnung*) complemented by an amended Large Exposure Regulation (*Großkredit- und Millionenkreditverordnung*). The German implementation legislation largely became effective on 1 January 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 (*haftendes Eigenkapital*), introducing new definitions and calculations. Banks may decide to use more sophisticated risk measures such as the Internal Ratings Based Approach.

Adequate Capital Resources

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, a bank has adequate Own Funds if it meets the capital requirements for credit risks and operational risks as well as for market risks at the end of each business day.

The capital requirements for credit risks and operational risks are met if the total amounts for credit risks and operational risks, 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 risks, and the Available Tier III Capital (*verfügbare Drittrangmittel*) (defined below) at the end of each business day.

Modified Available Liable Capital is calculated as follows:

- Core Capital
- Supplementary Capital

= Liable Capital

- 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 securitisation positions with a risk weighting of 1.250 per cent.
- 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 per cent. of risk-weighted IRBA positions

= Modified Available Liable Capital

Own Funds are comprised of Tier III Capital and Liable Capital. Liable 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:

- paid-in subscribed capital;
- capital reserves;
- earnings reserves which are disclosed in the bank's annual balance sheet;
- net income which are shown in audited interim financial statements and which will not be used for distribution or the payment of taxes;
- the fund for general banking risks (pursuant to § 340g of the German Commercial Code (*Handelsgesetzbuch*), 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
- 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:

- uncommitted reserves for general banking risks (pursuant to § 340f of the German Commercial Code (*Handelsgesetzbuch*), 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 per cent. of the Book Value of such receivables and securities;
- preferred shares;
- reserves pursuant to § 6b of the German Income Tax Act (*Einkommensteuergesetz*), to a certain percentage and to the extent they relate to the disposal of real estate;
- 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;
- 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
- 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 per cent. of the Core Capital.

Tier III Capital consists principally of:

- the net income which would be realised if, at the end of a given day:
 - all positions in the Trading Book were settled,
 - all foreseeable expenses and distributions on capital were deducted, and
 - all probable losses that would be incurred in the investment book in the event that the bank were to be liquidated were deducted;
- 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
- positions which cannot be regarded as Supplementary Capital due to the limitations that prohibit the aggregate amount of Supplementary Capital exceeding the Core Capital and the sum of long-term subordinated debt exceeding 50 per cent. 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 standardised approach (**KSA**) or the internal ratings based approach (**IRBA**).

The standardised 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 standardised 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 Solvency Regulation, 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 risks means the risks 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 standardised approach or the advanced measurement approach to determine the amount for operational risks, but if using the standardised 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 risks, and the Available Tier III Capital at the close of each business day.

Available Tier III Capital is defined as Tier III 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 the same are covered by Tier III 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 III Capital: In calculating the adequacy of Own Funds, IRBA institutions are only allowed to use Tier III 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 per cent. 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 the same are covered by Tier III Capital.

The sum of Tier III 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 per cent. 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.

In July 2009, by amendment to the German Banking Act, the BaFin was granted broad authorisation to set specific minimum capital adequacy requirements for individual banks which go beyond the generally applicable minimum requirements. These powers may be employed by BaFin in particular (i) to take into account risks of the bank which it deems are not appropriately addressed by the mere application of the Solvency Regulation; (ii) where the BaFin believes that the risk-taking capacity of a bank is not certain; (iii) to create an additional capital buffer for periods of economic downturn; or (iv) to reflect any special business situation of the institution as for example in the case of commencement of business activity.

At 31 December 2008, the Bank met, and currently meets, the capital adequacy rules of the German Banking Act.

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 – Liquidity Regulation*), 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 Liquidity Regulation. 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 Liquidity Regulation.

Large Exposure Limits

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 (*Anlagebuch-Großkredite*, “**investment book large exposures**”) and aggregate large exposures (*Gesamtbuch-Großkredite*, “**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 per cent. of a bank's or group's Liab Capital.

Individual investment book large exposures must not exceed 25 per cent. of the bank's or group's Liab Capital (20 per cent. 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 per cent. of the bank's or the group's Own Funds. The 25 per cent.-limit (20 per cent. 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 Liab 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 Liab Capital (in the case of ceilings calculated with respect to Liab 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 per cent. (or 20 per cent. 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.

The European Commission and the European Parliament are currently revising the large exposure rules. For example, the rules for large exposures vis-à-vis banks will be intensified. These rules will have to be implemented into German law by 31 December 2010.

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 per cent. of the Liab Capital of such bank, and the aggregate nominal value of all such Qualified Investments may generally not exceed 60 per cent. of such bank's Liab Capital. “**Qualified Equity Investment**” is defined in the German Banking Act as a (1) direct or indirect investment in at least 10 per cent. 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 20 December 2005, the BaFin issued the Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement* – “**MaRisk**”), which were subsequently amended by Circular 5/2007 dated 30 October 2007. The MaRisk set forth a flexible framework for 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.

Following the latest update of the MaRisk in August 2009 banks are required to conduct stress tests for all relevant risks under

their business model and implement procedures to manage and monitor liquidity risks. Furthermore, the updated MaRisk intensifies the requirements for group wide risk management systems and introduces guidelines for proper remuneration systems of banks.

Financial Statements and Audits

The financial statements on the basis of which compliance with the capital adequacy requirements is assessed must be prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the Regulation on Accounting by Credit Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute*).

Under German law, MünchenerHyp must be audited annually by a certified public accountant (*Wirtschaftsprüfer*) who has been appointed by the shareholders' general meeting and mandated by the supervisory board. A bank's certified public accountant is required to inform the BaFin of any facts coming to the accountant's attention which give reason to deny or qualify the certifications of the bank's annual financial statements or adversely affect the financial position of the bank, as well as of any material breach by the bank's management of the law or the bank's statutes. The certified public accountant is required to prepare a detailed and comprehensive annual audit report (*Prüfungsbericht*), which is submitted to the supervisory board of the bank, the BaFin, and the Bundesbank. In the report, the accountant must confirm that the bank has complied with:

- the regulatory reporting requirements;
- the large exposures limitations;
- the limitations on extension of credit to borrowers forming a unit of borrowers;
- the principles as to capital adequacy and liquidity; and
- regulations concerning the prudential granting of credit.

In addition, the audit report must:

- discuss in detail certain large loans and other important loans;
- confirm compliance with certain provisions of the German Banking Act;
- match assets and liabilities bearing interest at fixed rates according to maturity and assets and liabilities bearing interest at floating rates according to interest periods; and
- explain the effect of a change in interest rates on the unmatched portion of such assets and liabilities.

Reporting Requirements

In order to enable the BaFin and the Bundesbank to monitor compliance with the German Banking Act and other applicable legal requirements, banks are required to file the following information with the BaFin and the Bundesbank:

- immediate notice of certain organisational changes, the acquisition or sale of more than 10 per cent. of the equity of another company or changes in the amount of such equity share, loss of 25 per cent. of the Bank's Regulatory Banking Capital, the commencement or termination of certain non-banking activities, the acquisition or termination of a significant participation in the bank, the bank's status as a subsidiary, the existence, change in or termination of any "close relationship" with another company (i. e., ownership of at least 20 per cent. of the capital or voting rights);
- on an annual basis, audited non-consolidated and consolidated financial statements for the bank;
- on a monthly basis, balance sheet and statistical information;
- on a monthly basis, compliance statements with regard to the requirements on liquidity;
- on a monthly basis, compliance statements with regard to the capital adequacy rules; and
- on a quarterly basis, a list of the borrowers to whom the reporting bank has granted loans of EUR 1.5 million or more and certain information about the amount and the type of loan, including syndicated loans exceeding this amount even if the reporting bank's share does not exceed EUR 1.5 million.

If several different banks notify the Bundesbank of loans of EUR 1.5 million or more to the same borrower, the Bundesbank must inform each of the reporting banks of the total reported indebtedness and of the type of such indebtedness of the borrower.

Enforcement of Banking Regulations and Investigative Powers

To ensure that German banks fully comply with all applicable regulatory and reporting requirements, the BaFin requires that banks maintain an effective internal auditing department to monitor and control their activities. In order to secure compliance with the KWG and the regulations issued thereunder, the BaFin and the Bundesbank may require information and documents from a bank and the BaFin may conduct investigations of a bank. In addition, the BaFin may attend or convene meetings of the bank's supervisory board and of the bank's shareholders.

The BaFin has a wide range of enforcement powers. It can remove the bank's managers from office or prohibit them from engaging in banking activities. If the Own Funds of a bank are not adequate or if the liquidity requirements are not met (provided that the bank has failed to remedy the deficiency within a certain period), the BaFin may prohibit or restrict the distribution of profits or the extension of credit. These prohibitions also apply to the parent bank of a group of institutions if the Own Funds of the bank's group enterprises do not meet the legal requirements. If the liquidity requirements are not met, the BaFin may also prohibit further investments in illiquid assets.

Furthermore, if (i) a bank does not meet the minimum capital adequacy requirements and/or the minimum liquidity requirements under the German Banking Act or (ii) the economic situation of a bank gives reason to believe that the bank will not permanently fulfil the minimum capital adequacy requirements and the minimum liquidity requirements under the German Banking Act, the BaFin is authorised to prohibit and/or limit payments on such bank's capital instruments (including hybrid capital) provided that the payments are not fully covered by annual net income. Potential investors in the Capital Securities should also read the risk factor "Profit Participation Payments depend, among other things, on MünchenerHyp's profits" on page 56 of this Prospectus.

If a bank is in danger of defaulting on its obligations to creditors, the BaFin may take emergency measures to avert a default, including, among others:

- issuing instructions relating to the management of the bank;
- prohibiting the acceptance of deposits and the extension of credit;
- prohibiting or restricting the managers of the bank from carrying on their functions; and
- appointing supervisors.

If these measures are inadequate to remedy the situation, the BaFin may revoke the bank's license and, if appropriate, order that the bank be shut down. In order to prevent the insolvency of a bank, the BaFin has the authority to:

- prohibit payments and disposals of assets;
- close customer services; and
- prohibit the acceptance of payments other than in payment of a debt owed to the bank.

Currently a draft act has been proposed according to which banks that are threatened to become insolvent could be taken under state receivership. This draft act, however, has not yet been introduced to the parliament. Hence, at this stage it is unclear whether such state receivership for banks will indeed be introduced. Already under current law only the BaFin is authorised to file for the initiation of an insolvency proceedings on a bank which is over-indebted, illiquid or threatens to be illiquid.

Violations of the German Banking Act may result in criminal and administrative penalties.

Supervision under the Pfandbrief Act

The following is a description reduced to some of the more fundamental principles governing the law regarding Pfandbriefe and Pfandbrief Banks in summary form and without addressing all the laws' complexities and details. Accordingly, it is qualified in its entirety by reference to the applicable laws.

Introduction

Up to 19 July 2005, MünchenerHyp has operated as a mortgage bank (*Hypothekenbank*) under the Mortgage Bank Act in the version published on 9 September 1998, as amended (*Hypothekenbankgesetz*). Since 19 July 2005, the Pfandbrief operations of the Bank are subject to the Pfandbrief Act of 27 May 2005 (*Pfandbriefgesetz*) which has come into force on 19 July 2005.

As from such date, the legislation accompanying the Pfandbrief Act, i.e., the Act on the Reorganisation of the Law on Pfandbriefe (*Gesetz zur Neuordnung des Pfandbriefrechts*), has rescinded all existing special legislation regarding the Pfandbrief business in Germany, including, inter alia, (i) the Mortgage Bank Act applicable to the existing mortgage banks being specialist institutions authorised to issue Mortgage Pfandbriefe (*Hypothekenzinspfandbriefe*) covered by mortgage loans as well as Public Sector Pfandbriefe (*Öffentliche Pfandbriefe*) covered by obligations of public sector debtors (and, in either case, by certain other qualifying assets), (ii) the Act on Pfandbriefe and Related Bonds of Public-Law Credit Institutions (*Gesetz über die Pfandbriefe und verwandten Schuldverschreibungen öffentlich-rechtlicher Kreditanstalten*) in the version as published on 9 September 1998, as amended, applicable to various types of public sector banks, including in particular the Landesbanken, in respect of Mortgage Pfandbriefe and Public Sector Pfandbriefe issued by them, and (iii) finally, the Ship Banking Act (*Schiffsbankgesetz*), as last amended on 5 April 2004, governing the operations of ship mortgage banks issuing Ship Mortgage Pfandbriefe (*Schiffspfandbriefe*).

The Pfandbrief Act abolishes the concept of specialist Pfandbrief institutions hitherto prevailing in respect of the existing mortgage banks and ship mortgage banks. It establishes a new and uniform regulatory regime for all German credit institutions. Since 19 July 2005, all German credit institutions are permitted, subject to authorisation and further requirements of the Pfandbrief Act, to engage in the Pfandbrief business and to issue Mortgage Pfandbriefe, Public Sector Pfandbriefe as well as Ship Mortgage Pfandbriefe, and, from such date onwards, existing mortgage banks and ship mortgage banks are authorised to engage in most other types of banking transactions, eliminating the limitations in respect of the scope of their permitted business which existed in the past. The Pfandbrief Act thus creates a level playing field for all German credit institutions including the Landesbanken, operating as universal banks and engaged in the issuance of Pfandbriefe.

German credit institutions wishing to take up the Pfandbrief business must obtain special authorisation under the Banking Act (*Gesetz über das Kreditwesen*) from the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – “**BaFin**”) and, for that purpose, must meet some additional requirements as specified in the Pfandbrief Act.

Mortgage banks, such as MünchenerHyp, and ship mortgage banks, operating as such up to 19 July 2005 as well as public sector banks (including the *Landesbanken*) carrying on the Pfandbrief business up to such date, are all grandfathered in respect of authorisation for the particular type of Pfandbrief business in which they were engaged at such time. They were required, though, to give a comprehensive notice to the BaFin by 18 October 2005, failing which the BaFin may withdraw the authorisation. Mortgage banks and ship mortgage banks are since 19 July 2005 also authorised to engage in a broad spectrum of other banking transactions, including, inter alia, deposit taking, the extension of credits, the guarantee business, underwriting as well as others, up to then not permitted to be carried out by them, contrary to the *Landesbanken*, to which all types of banking transactions have always been open (subject to authorisation).

The operations of all banks engaged in the issuance of Pfandbriefe are since 19 July 2005 regulated by the Pfandbrief Act and the Banking Act, and are subject to the prudential supervision of the BaFin. In particular, the BaFin will carry out audits of the assets forming part of any Cover Pool, regularly in bi-annual intervals.

In 2009, the Pfandbrief Act was amended. Among other changes, the new Pfandbrief category of Airplane Mortgage Pfandbriefe was introduced, rules requiring a certain liquidity cushion of each Cover Pool were established, and the list of assets qualifying as Cover Pool for Public Sector Pfandbriefe was readjusted to the prevailing regulations in Directive 2006/48/EC.

In this summary, banks authorised to issue Pfandbriefe will generally be referred to as “Pfandbrief Banks” which is the term applied by the Pfandbrief Act.

Rules applicable to all Types of Pfandbriefe

Pfandbriefe are standardised debt instruments issued by a Pfandbrief Bank. The quality and standards of Pfandbriefe are strictly governed by provisions of the Pfandbrief Act and subject to the prudential supervision of the BaFin. Pfandbriefe generally are medium- to long-term bonds, typically with an original maturity of two to ten years, which are secured or “covered” at all times by a pool of specified qualifying assets (*Deckung*), as described below. Pfandbriefe are recourse obligations of the issuing bank, and no separate vehicle is created for their issuance generally or for the issuance of any specific series of Pfandbriefe. Pfandbriefe may not be redeemed at the option of the holders prior to maturity.

Pfandbriefe may either be Mortgage Pfandbriefe, Public Sector Pfandbriefe, Ship Mortgage Pfandbriefe or Airplane Mortgage Pfandbriefe. The outstanding Pfandbriefe of any one of these types must be covered by a separate pool of specified qualifying assets: a pool for Mortgage Pfandbriefe only, a pool for Public Sector Pfandbriefe only, a pool covering all outstanding Ship Mortgage Pfandbriefe only and a pool covering all outstanding Airplane Mortgage Pfandbriefe (each a “**Cover Pool**”). An independent trustee appointed by the BaFin has wide responsibilities in monitoring the compliance by the Pfandbrief Bank with the provisions of the Pfandbrief Act. In particular, the trustee monitors the sufficiency of the cover assets and maintains a register listing the assets provided as cover from time to time in respect of the Pfandbriefe of any given type.

The aggregate nominal amount of assets in these Cover Pools must at all times at least be equal to the aggregate nominal amount of the outstanding Pfandbriefe issued against the respective Cover Pool and the aggregate interest yield on each Cover Pool must at all times be at least equal to the aggregate interest payable on all Pfandbriefe relating to such Cover Pools. In addition, the coverage of all outstanding Pfandbriefe with respect to principal and interest must at all times be ensured on the basis of the present value (*Barwert*). Finally, the present value of the assets contained in each Cover Pool must exceed the total amount of liabilities from the corresponding Pfandbriefe and derivatives by at least 2 per cent. (*sichernde Überdeckung*).

Such 2 per cent. excess cover must consist of highly liquid assets. Qualifying assets for the excess cover are, inter alia, (i) debt securities of the Federal Republic of Germany, a special fund of the Federal Republic of Germany, a German state, the European Communities, another member state of the European Union, another contracting State to the Agreement on the European Economic Area, the European Investment Bank, the IBRD-World Bank, the Council of Europe Development Bank or the European Bank for Reconstruction and Development, (ii) debt securities of Switzerland, the United States of America, Canada or Japan, if such countries have been provided with the credit quality step 1 as set out in Annex VI of Directive 2006/48/EC; (iii) debt securities guaranteed by any of the foregoing institutions; and (iv) credit balances maintained with the European Central Bank, the central banks of the member states of the European Union and suitable credit institutions of a country listed under (i) and (ii) above, if those have been provided with the credit quality step 1 as set out in Annex VI of Directive 2006/48/EC. In addition, to safeguard liquidity, a certain liquidity cushion must be established.

The Pfandbrief Bank must record in the register of cover assets for each Cover Pool of a given Pfandbrief type each asset and the liabilities arising from derivatives. Derivatives may be entered in such register only with the consent of the trustee and the counterparty.

The Pfandbrief Bank must command over an appropriate risk management system meeting the requirements specified in detail in the Pfandbrief Act and must comply with comprehensive disclosure requirements on a quarterly and annual basis set out in detail in the Pfandbrief Act.

Cover Pool for Mortgage Pfandbriefe

The principal assets qualifying for the Cover Pool for Mortgage Pfandbriefe are loans secured by mortgages which may serve as cover up to the initial 60 per cent. of the value of the property, as assessed by experts of the Pfandbrief Bank not taking part in the credit decision, in accordance with comprehensive evaluation rules designed to arrive at the fair market value of the property. Moreover, the mortgaged property must be adequately insured against relevant risks.

The property that may be encumbered by the mortgages must be situated in a state of the European Economic Area, Switzerland, the United States of America, Canada or Japan.

In addition, the Cover Pool for Mortgage Pfandbriefe may comprise a limited portion of other assets as follows: (i) equalisation claims converted into bonds; (ii) subject to certain qualifications, those assets which may also be included in the 2 per cent. excess cover described above up to a total sum of 10 per cent. of the aggregate nominal amount of outstanding Mortgage Pfandbriefe; (iii) the assets which may also be included in the Cover Pool for Public Sector Pfandbriefe referred to below up to a total of 20 per cent. of the aggregate nominal amount of outstanding Mortgage Pfandbriefe, whereby the assets pursuant to (ii) above will be deducted, and, finally, (iv) claims arising under interest rate and currency swaps as well as under other qualifying derivatives contracted under standardised master agreements with certain qualifying counterparties, provided that it is assured that the claims arising under such derivatives will not be prejudiced in the event of the insolvency of the Pfandbrief Bank or any other Cover Pool maintained by it. The amount of the claims of the Pfandbrief Bank arising under derivatives which are included in the Cover Pool measured against the total amount of all assets forming part

of the Cover Pool as well as the amount of the liabilities of the Pfandbrief Bank arising from such derivatives measured against the aggregate nominal amount of the outstanding Mortgage Pfandbriefe plus the liabilities arising from derivatives may in either case not exceed 12 per cent., calculated in each case on the basis of the net present values.

Cover Pool for Public Sector Pfandbriefe

The Cover Pool for Public Sector Pfandbriefe may comprise payment claims under loans, bonds or similar transactions of a wide spectrum of states and other public bodies, including, but not limited to: (i) the Federal Republic of Germany as well as any German state, municipality or other qualifying public bodies in the Federal Republic of Germany; (ii) another member state of the European Union or another contracting State to the Agreement on the European Economic Area and the respective central banks of such states; (iii) regional governments and local territorial authorities of the countries listed under (ii) above; (iv) the United States of America, Japan, Switzerland or Canada and the respective central banks of such countries, if such countries have been provided with the credit quality step 1 as set out in Annex VI of Directive 2006/48/EC; (v) regional governments and local territorial authorities of the countries listed under (iv) above, if they were classified by the respective national authority equal to the central state or if they have been provided with the credit quality step 1 as set out in Annex VI of Directive 2006/48/EC; (vi) the European Central Bank, multilateral development banks such as the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Investment Bank or the European Bank for Reconstruction and Development and international organisations; (vii) public bodies of the countries listed under (ii) above; and (viii) certain qualifying public bodies of the countries listed under (iv) above and any entity the obligations of which are guaranteed by an institution referred to or mentioned in (i) through (vi) above.

The Cover Pool may furthermore include the following assets: (i) equalisation claims converted into bonds; (ii) credit balances maintained with the European Central Bank, a central bank of any EU member state or a suitable credit institution, up to a total sum of the aggregate nominal amount of outstanding Public Sector Pfandbriefe; and (iii) claims arising under derivatives as mentioned above, subject to the conditions and restrictions described in such paragraph. The limitations which apply to Mortgage Pfandbriefe apply here as well.

Insolvency Proceedings

In the event of the institution of insolvency proceedings over the assets of the Pfandbrief Bank, any Cover Pool maintained by it would not be part of the insolvency estate, and, therefore, such insolvency would not automatically result in an insolvency of any Cover Pool. Only if at the same time or thereafter the relevant Cover Pool were to become insolvent, separate insolvency proceedings would be initiated against such Cover Pool by the BaFin. In this case, holders of Pfandbriefe would have the first claim on the respective Cover Pool. Their preferential right would also extend to interest on the Pfandbriefe accrued after the commencement of insolvency proceedings. Furthermore, but only to the extent that holders of Pfandbriefe suffer a loss, holders would also have recourse to any assets of the Pfandbrief Bank not included in the Cover Pools. As regards those assets, holders of Pfandbriefe would rank equal with other unsecured and unsubordinated creditors of the Pfandbrief Bank.

One or two administrators (*Sachwalter* – “**Administrator**”) will be appointed in the case of the insolvency of the Pfandbrief Bank to administer each Cover Pool for the sole benefit of the holders of Pfandbriefe. The Administrator will be appointed by the court having jurisdiction at the location of the head office of the Pfandbrief Bank at the request of the BaFin before or after the institution of insolvency proceedings. The Administrator will be subject to the supervision of the court and also of the BaFin with respect to the duties of the Pfandbrief Bank arising in connection with the administration of the assets included in the relevant Cover Pool. The Administrator will be entitled to dispose of the Cover Pool's assets and receive all payments on the relevant assets to ensure full satisfaction of the claims of the holders of Pfandbriefe. To the extent, however, that those assets are obviously not necessary to satisfy such claims, the insolvency receiver of the Pfandbrief Bank is entitled to demand the transfer of such assets to the insolvency estate.

Subject to the consent of the BaFin, the Administrator may transfer all or part of the cover assets and the liabilities arising from the Pfandbriefe issued against such assets to another Pfandbrief Bank.

Corporate Law

The German Stock Corporation Act (*Aktiengesetz*) provides for certain limitations on payments which can be made under so called partial profit transfer agreements (*Teilgewinnabführungsverträge*). The Participation Agreement qualifies as a partial profit transfer agreement. However, since MünchenerHyp is a registered cooperative (*eingetragene Genossenschaft*) rather than a stock corporation (*Aktiengesellschaft*), the relevant provisions of the German Stock Corporation Act do not directly apply to MünchenerHyp. Although MünchenerHyp considers this unlikely, it can not be entirely excluded that such provisions might be applied analogously to cooperative societies. In such case, rather than being limited to the balance sheet profit, Profit Participation Payments under the Participation Agreement would in each case be limited to the annual net income (*Jahresüberschuss*) of MünchenerHyp, less any losses carried forwards from prior financial years and allocations to the statutory reserve and plus withdrawals from revenue reserves which have been accumulated during the term of the Participation Agreement.

TAXATION

The statements below regarding taxation are based on the law and practice of the relevant specified jurisdiction at the date of this Prospectus and are subject to any subsequent changes in law or practice (which could be made on a retroactive basis). The following statements do not constitute tax advice and do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Capital Securities and may not apply equally to all persons. Prospective purchasers of the Capital Securities are advised to consult their own tax advisers concerning the tax consequences of their ownership of the Capital Securities.

European Union Savings Directive

Under the European Union Directive 2003/48/EU 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 will instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent., unless during such period they elect otherwise.

A number of non-EU countries, and certain dependent or associated territories of certain member states (including Jersey), 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.

Taxation in Germany

The following is a discussion of certain German withholding tax considerations that may be relevant to a holder of Capital Securities (the “**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 Capital Securities.

Withholding Tax

If any payment under the Capital Securities is made to German tax resident Holders and the Capital Note is kept or administered in a domestic securities deposit account with, or presented for an over-the-counter payment to a German financial institution (i.e. a bank, a financial services institution, a securities trading company or a securities trading bank) (each, a “**Disbursing Agent**” (*Auszahlende Stelle*)), the Disbursing Agent making the payment is obliged to withhold taxes at source. The term German financial institution includes a German branch of a foreign financial institution but excludes a foreign branch of a German financial institution. The withholding tax rate amounts to 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, plus, upon application, church tax).

The same applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption or repayment after the deduction of expenses directly related to the disposal and the acquisition costs) provided that the Capital Securities were kept or administered by the same Disbursing Agent since their acquisition. To the extent the Capital Securities have not been kept in a securities deposit account with the same Disbursing Agent since their acquisition the withholding tax plus solidarity surcharge thereon is levied on 30 per cent. of the proceeds from the disposal, redemption or repayment, unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs by the previous Disbursing Agent or the previous account bank.

The basis of the withholding taxes to be withheld by the Disbursing Agent may be – subject to certain requirements – reduced by negative investment income realised by the individual Holder or interest accrued (*Stückzinsen*) on the Capital Securities. In addition the Disbursing Agent may – subject to certain requirements – credit foreign withholding taxes levied on capital income from securities held in the securities deposit account with the Disbursing Agent in the same year to the extent these foreign taxes cannot be reclaimed in the foreign country.

To the extent the Disbursing Agent is provided by the individual Holder with an exemption certificate (*Freistellungsauftrag*) the annual lump-sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing tax returns jointly (*Zusammenveranlagung*)) which applies to all investment income received in one year is taken into account. In case the Holder provides the Disbursing Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) no taxes will be withheld.

While interest payments are subject to withholding taxes, taxes are not to be withheld on capital gains from a disposal of Capital

Securities held by a corporation or - subject to certain requirements - if the Capital Securities form part of a trade or business.

Interest on the Capital Securities and capital gains from their disposal, redemption or repayments (including accrued interest (*Stückzinsen*)) received by Holders who are not tax-resident in Germany (i.e. Holders who have neither a residence nor a customary place of abode and/or their statutory seat or central place of management in Germany) but subject to German taxation (e.g. if the interest payments are effectively connected to income from German sources such as a German permanent establishment or interest payments upon over-the-counter presentation of the Capital Securities (*Tafelgeschäft*)) may be subject to German withholding taxes if the Capital Securities are kept or administered in a domestic securities deposit account with a Disbursing Agent. The withholding tax may be refunded based on a tax assessment or under an applicable double tax treaty (*Doppelbesteuerungsabkommen*).

If any payment under the Capital Securities is made to investors who are not resident and not subject to taxation in Germany, under German tax law the payment is not subject to withholding tax, provided that if the Capital Securities are kept or administered in a domestic securities deposit account by a German financial institution, the investor proves to the satisfaction of the German financial institution that he is not subject to German taxation.

General German Tax Considerations

Resident Holders

If the Capital Securities are held by an individual Holder whose residence or habitual abode is in Germany interest income deriving from capital investments as well as capital gains from the disposal, redemption or repayment of the Capital Securities are in general subject to German taxation at a flat-rate of 25 per cent. (*Abgeltungsteuer*) (plus solidarity surcharge of 5.5% thereon and church tax, if applicable) if the Capital Securities are held as private investment (*Privatvermögen*). Individual Holders resident in Germany are entitled to a lump-sum deduction from income from capital investments in the amount of EUR 801 (EUR 1,602 for married couples filing tax returns jointly) per annum, whereby higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual Holder deriving from capital investments under the Capital Securities is principally settled by the withholding taxes. If withholding taxes have not been withheld on payments under the Capital Securities the individual Holder must include the income (e.g. interests and capital gains) derived from the Capital Securities in his or her annual income tax return which is then taxed at the flat tax rate of 25 per cent. plus solidarity surcharge and, if applicable, church tax. An individual Holder may apply for the taxation of income (interest and capital gains) from capital investments at his or her lower individual income tax rate. Taxes withheld in excess of the assessed tax liability will be refunded. In each case related expenses are - as a rule - not deductible. Losses from the disposal, redemption or repayment of the Capital Securities held as private investment may - subject to certain restrictions - only be offset against income from capital investments. Losses not used in one year may be carried forward to future years but may not be carried back in preceding ones.

If the Capital Securities are held as business assets (*Betriebsvermögen*) by an individual or corporate Holder resident in Germany (i.e. a corporation with its statutory seat or its place of management in Germany) or payments under the Capital Securities qualify as income other than from capital investments the taxation of interest and capital gains is not settled by the withholding taxes but is subject to individual or corporate income tax (plus solidarity surcharge and church tax, if applicable) and the Holder is obliged to include the respective income and related (business) expenses in the annual income tax return. Withholding taxes (including solidarity surcharge) are in general fully creditable against the Holder's personal or corporate income tax liability. Withholding taxes exceeding the personal or corporate income tax will be refunded. Interest and capital gains deriving from Capital Securities held as business assets may also be subject to trade tax, if applicable. The trade tax liability depends on the trade tax factor (*Gewerbesteuerhebesatz*) determined by the municipality where the Holder maintains his/her permanent establishment. An individual Holder or an individual partner of a partnership may be able to partially or fully credit the trade taxes against his/her personal income tax liability.

Non-resident Holders

Interest on the Capital Securities and capital gains from their disposal, redemption or repayments (including accrued interest (*Stückzinsen*)) received by Holders who are not tax-resident in Germany (i.e. Holders who have neither a residence nor a customary place of abode and/or their statutory seat or central place of management in Germany) are, in principle, not subject to German taxation, unless (i) the Capital Securities form part of a permanent establishment, including a permanent representative, or a fixed base in Germany, or (ii) the Capital Securities are presented for over-the-counter payments (*Tafelgeschäft*), or (iii) the income otherwise qualifies as income from German sources for tax purposes. In cases (i), (ii) or (iii) a taxation similar to such explained under "*Resident Holders*" applies.

Subject to certain requirements a Holder not resident in Germany may benefit from tax reductions or tax exemptions provided by double tax treaties (*Doppelbesteuerungsabkommen*) Germany entered into.

Inheritance and Gift Taxes

A disposition of Capital Securities by reason of death or by way of gift is subject to German inheritance or gift tax if, in particular:

(1) the decedent or donor or the heir, donee or other beneficiary at the time of the death or the execution of the gift have their domiciles or habitual abodes in Germany or are German citizens who have not been living abroad for a period of more than five years without having a residence in Germany, or German citizens and their relatives who are employed by, and receive their compensation from, a German state organisation, or

(2) except in the case of (1), the Capital Securities are part of the assets of the decedent or donor for which inter alia in Germany a permanent establishment is maintained or a permanent representative has been appointed.

Other Taxes

The sale or transfer or other disposal of the Capital Securities is not subject to any stock exchange transfer tax, company tax, stamp duty or similar tax in Germany. Net wealth tax is currently not imposed in Germany.

Taxation in Jersey

Income Tax

The Issuer is liable to be charged to tax at a rate of 0 per cent. under Schedule D under the Income Tax (Jersey) Law 1961, as amended (the "**Income Tax Law**") in respect of (i) the income or profits of any trade carried on by the Issuer in Jersey or elsewhere, (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to the Issuer, whether such payment is made within or out of Jersey, (iii) dividends and other distributions of a company regarded as resident in Jersey paid to the Issuer, (iv) income arising to the Issuer from securities out of Jersey and (v) any other income of the Issuer that is not derived from the ownership or disposal of land in Jersey. It is not expected that the Issuer will be in receipt of income charged to tax under any Schedule under the Income Tax Law other than Schedule D.

The Issuer is not entitled to make any deduction or withholding for or on account of Jersey income tax from any interest or other payments on the Capital Securities. The Security Holders (other than residents of Jersey) are not subject to any tax in Jersey in respect of the acquisition, ownership, sale, exchange or other disposition of the Capital Securities.

Jersey and the European Union Directive on the Taxation of Savings Income

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and our understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

Stamp Duties

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition inter vivos of Capital Securities. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any Capital Securities or interests therein) and (ii) otherwise, on the value of so much of the estate (including any Capital Securities or interests therein), if any, as is situated in Jersey.

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 Capital Securities. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities. Prospective purchasers of the Capital 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 Capital Securities and receiving payments and/or other amounts thereunder. 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.

Luxembourg tax residency of the Note Holders

A Note Holder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Capital Securities, or the execution, performance, delivery and/or enforcement of the Capital Securities.

Withholding Tax

Resident Note Holders

Under the Luxembourg law dated 23 December 2005 (the "**Law**"), a 10 per cent. Luxembourg withholding tax is levied as of 1st January 2006 on interest payments made by Luxembourg paying agents to Luxembourg individual residents. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Capital Securities. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Directive may also opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% final levy must cover all interest payments made by the paying agents to the Luxembourg resident beneficial owner during the entire civil year.

Non-resident Note Holders

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the "**Savings Law**") implementing the EU Council Directive 2003/48/EU on the taxation of savings income (the "**Saving Directive**") and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interests (including accrued but unpaid interest) made to a Luxembourg non-resident Note Holder. There is also no Luxembourg withholding tax, upon repayment of the principal, or subject to the application of the Savings Law, upon redemption or exchange of the Capital Securities. Under the Savings Law, a Luxembourg based paying agent (within the meaning of the Saving Directive) is required since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity (the Residual Entity) in the sense of article 4.2. of the Saving Directive (i.e. an entity without legal personality and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entity residents in any of the following territories: Aruba, British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat and The Netherlands Antilles.

The withholding tax is currently 20 per cent. and will be increased to 35 per cent. as from 11 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

Other Taxation of the Note Holders

Taxation of Luxembourg non-residents

Note Holders who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Capital Securities are attributable are not liable to any Luxembourg income tax, whether

they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale or exchange of any Capital Securities.

Note Holders who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Capital Securities are attributable, may have to include any interest received or accrued, as well as any capital gain realised on the sale or disposal of the Capital Securities in their taxable income for Luxembourg income tax assessment purposes.

Taxation of individual Luxembourg residents

Note Holders who are resident of Luxembourg, or non-resident Note Holders who have a permanent establishment or a permanent representative in Luxembourg to which the Capital Securities are attributable, must, for income tax purposes, include any interest paid or accrued in their taxable income, unless withholding tax has been thereon levied thereon in accordance with the Law.

Luxembourg resident individual Note Holders acting in the course of the management of their private wealth are not subject to taxation on capital gains upon the disposal of the Capital Securities, unless the disposal of the Capital Securities precedes the acquisition of the Capital Securities or the Capital Securities are disposed of within six months of the date of acquisition of the Capital Securities. Upon a sale, repurchase, redemption or exchange of the Capital Securities, individual Luxembourg resident Note Holders acting in the course of the management of their private wealth must, however, include the portion of such gain corresponding to accrued but unpaid interest in their taxable income insofar as the accrued but unpaid interest is indicated separately in the repurchase, redemption or exchange agreement.

Luxembourg resident individual Note Holders acting in the course of the management of a professional or business undertaking to which the Capital Securities are attributable, may have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Capital Securities, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Capital Securities sold or redeemed.

Luxembourg corporate residents

Luxembourg corporate Note Holders must include any interest received or accrued, as well as any gain realised on the sale or disposal of Capital Securities, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including but unpaid interest) and the lower of the cost or book value of the Capital Securities sold or redeemed.

Luxembourg Note Holders who benefit from a special tax regime, such as, for example, holding companies subject to the amended law of 31 July 1929, family wealth management companies subject to the law of 11 May 2007, undertakings for collective investment subject to the amended laws of 20 December 2002 and specialised investment funds subject to the law of 13 February 2007 are exempt from income and wealth taxes in Luxembourg and thus income derived from the Capital Securities, as well as gains realised thereon, are not subject to income or wealth taxes.

Net Wealth Tax

Luxembourg resident Note Holders and Note Holders who have a permanent establishment or a permanent representative in Luxembourg to which the Capital Securities are attributable, are subject to Luxembourg wealth tax on such Capital Securities, except if the holder Capital Securities is (i) a resident or non-resident individual taxpayer, (ii) a holding company subject to the amended law of 31 July 1929, (iii) a family wealth management company subject to the law of 11 May 2007, (iv) an undertaking for collective investment subject to the amended law of 20 December 2002, (v) a securitisation company governed by the law of 22 March 2004 on securitisation, (vi) a company governed by the law of 15 June 2004 on venture capital vehicles or (vii) a specialised investment fund governed by the law of 13 February 2007.

Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Note Holders as a consequence of the issuance of the Capital Securities, nor will any of these taxes be payable as a consequence of a subsequent transfer of redemption or repurchase of the Capital Securities.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Capital Securities or in respect of the payment of interest or principal under the Capital Securities or the transfer of the Capital Securities. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuers, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

No estate or inheritance taxes are levied on the transfer of the Capital Securities upon death of a Note Holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Capital

Securities if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

Taxation in Austria

The following is a general description of certain tax considerations in relation to the Capital Securities under the existing laws of Austria. It does not purport to be a complete analysis of all tax considerations applying to the Capital Securities. Prospective Note Holders should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of Austria, of acquiring, holding and disposing of Capital Securities and receiving payments of principal, interest and other amounts under the Capital Securities. This summary is based upon the Austrian laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may take effect after such date.

General

Income arising from the Capital Securities will qualify as interest income from debt securities to the extent held as a private asset or business income if held as a business asset. If there is a coupon paying agent located in Austria (an Austrian bank or Austrian branch of a non-Austrian bank or Austrian branch of a securities firm) (*kuponauszahlende Stelle*), Coupon Payments are generally subject to an Austrian withholding tax at the rate of 25 per cent. The deduction of Austrian withholding tax is in principle independent from the tax status of the Note Holder.

Tax residents

If the investor (individual or corporation) is subject to unlimited liability to tax in Austria (i.e. if the individual has its tax residence/domicile and/or its habitual place of abode in Austria or if the registered office or place of effective management of a corporation is located in Austria) the interest income as well as gains on redemption are taxable in Austria according to the Austrian Income Tax Act (*Einkommensteuergesetz*) or the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*).

Individual Note Holders

In case that the Note Holder is an individual that is subject to unlimited liability to tax in Austria the tax treatment depends on whether the Capital Securities have been offered to the public within the meaning of § 97 Income Tax Act or not. According to § 7804 et seq. of the Austrian Income Tax Guidelines (issued by the Austrian Federal Ministry of Finance) securities are publicly offered, if the securities are offered to the general public, i.e. a non-predetermined group of investors defined under abstract terms, which is clearly indicated if the Capital Securities are subscribed and marketed by domestic and/or foreign banks.

An Austrian coupon paying agent has to deduct 25 per cent. Austrian withholding tax at source. The remainder is remitted to the Note Holder and does not need to be included in the Note Holder's income tax return.

If the coupon paying agent is located outside of Austria, the investor has to include the interest income in his tax return. The investment or business income from the Capital Securities recorded in the tax return will be subject to a special income tax rate of 25 per cent. (equal to Austrian withholding tax on interest income) and by this benefit from Austrian final taxation.

Provided that the Capital Securities have been offered publicly, the interest income should be subject to final taxation in Austria (*Endbesteuerung*) both for private investors and business investors. Final taxation means that after deduction of 25 per cent. Austrian withholding tax at source (if the coupon paying agent is located in Austria) or the inclusion of such income in the income tax return and assessment of a 25 per cent. special income tax rate (if the coupon paying agent is not located in Austria) no further income tax will be assessed. As a consequence of the final taxation expenses in connection with the Capital Securities are not deductible for Austrian tax purposes (e.g. interest expense for debt-financing of the Capital Securities).

Should the individual's average income tax rate be lower than 25 per cent., the Austrian withholding tax/special tax rate will be credited against the income tax liability and the excess amount will be refunded upon application.

If interest income is realised upon disposal of the Capital Securities the seller will be taxed on a fraction of the interest accrued at the time the Capital Securities are disposed. In order to avoid that this fraction of interest income is taxed again at maturity, the purchaser receives a tax credit in the amount of the tax paid by the seller.

Corporate Note Holders

For corporate Note Holders as business property, the 25 per cent. Austrian withholding tax is not treated as final taxation, but the income from the Capital Securities is subject to 25 per cent. Austrian corporate income tax and Austrian withholding tax is credited against the actual tax burden. Corporate investors may avoid the application of withholding tax by filing an exemption declaration (with a copy for the locally competent tax office) with the coupon paying agent (§ 94 paragraph 5 of Austrian Income Tax Act).

Specific tax rates (12.5 per cent.) apply to interest income earned by Austrian private-law foundations (*Privatstiftung*). That interim corporate income tax may be credited against tax due on distributions of the private-law foundation.

Non-Austrian residents

Income derived from the Capital Securities by non-Austrian resident taxpayers, which is not attributable for Austrian tax purposes to

a permanent establishment located in Austria, is not taxable in Austria. Therefore, if Austrian withholding tax on interest income has been deducted by an Austrian coupon paying agent, the taxpayer may claim a refund of the Austrian withholding tax within five calendar years following the date of the imposition of the Austrian withholding tax.

Pursuant to § 8018 of the Austrian Income Tax Guidelines § 1464 Austrian Corporate Income Tax Guidelines non-Austrian resident investors may avoid the deduction of the Austrian withholding tax, if the Capital Securities are deposited with an Austrian bank and evidence in writing is given to the bank of its status as a non-Austrian resident.

Inheritance and gift tax

Inheritance and gift tax has been abolished in Austria as of 1 August 2008.

Other Taxes

There are no Austrian transfer, stamp or other similar taxes which would apply to the sale or transfer of the Capital Securities.

Taxation in the United Kingdom

The following is a general description of certain United Kingdom ("UK") tax considerations relating to the Capital Securities based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Capital Securities. It relates to the position of persons who are the absolute beneficial owners of Capital Securities and some aspects do not apply to certain classes of taxpayer (such as dealers and Note Holders who are connected or associated with the Issuer for relevant tax purposes). Prospective Note Holders should seek their own professional advice on their tax position having regard to their own particular facts and circumstances.

Taxation of Interest

UK withholding tax on interest

Payments of interest on the Capital Securities may be made without withholding on account of UK tax provided the interest is not treated as having a UK source.

If interest on the Capital Securities is treated as having a UK source, payments of such interest can still be made without withholding or deduction for or on account of UK income tax as long as the Capital Securities are and continue to be "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007. This condition will be satisfied if the Capital Securities are issued by a company, listed on a recognised stock exchange and carry a right to interest. The Capital Securities will be treated as listed on a recognised stock exchange if they are admitted to trading on the regulated market "Bourse de Luxembourg" and are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in European Economic Area states. Accordingly, payments of interest on the Capital Securities may be made without withholding on account of UK income tax provided the Capital Securities remain so listed at the time of payment.

If interest on the Capital Securities is treated as having a UK source and the "quoted Eurobonds" exemption does not apply, it may fall to be paid under deduction of UK income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by HM Revenue and Customs ("HMRC") under the provisions of an applicable double taxation treaty, except that the withholding obligation is disapplied in respect of Note Holders who the Issuer reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a permanent establishment which is within the charge to corporation tax, or who fall within various categories enjoying a special tax status (including charities and pension funds) or are partnerships consisting of such persons (unless HMRC directs otherwise).

Interest from a UK source may be subject to UK income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Note Holder who is not resident for tax purposes in the UK unless that Note Holder carries on a trade, profession or vocation in the UK through a UK branch or agency or for Note Holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the Capital Securities are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

UK residents

Note Holders who are resident in the UK will, in general, be subject to UK income tax or corporation tax on the full amount of interest on the Capital Securities. Note Holders who are within the charge to UK corporation tax will generally be treated for tax purposes as realising profits or losses in respect of the Capital Securities on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes.

Credit may be given by HMRC either unilaterally or in accordance with a double tax treaty for foreign tax suffered by the UK resident Note Holder in respect of interest received.

Non-UK residents

On the basis that interest on the Capital Securities is not regarded as income from a source in the UK, a Note Holder who, for UK tax

purposes is neither a UK resident or ordinarily resident person nor a non-UK resident person holding Capital Securities attributable to a trade, profession or vocation carried on in the UK through a branch or agency or a permanent establishment, will not be subject to UK tax on any interest received on the Capital Securities or any fluctuations in value of the Capital Securities or any other profits or gains arising in respect of the Capital Securities.

Individual Note Holders who are either not domiciled or not ordinarily resident in the UK may claim that interest on the Capital Securities should not be taxed in the UK under Section 831 of the Income Tax (Trading and Other Income) Act 2005 except to the extent that amounts are remitted to the UK. In certain circumstances, interest that is not actually remitted to the UK may be treated as though remitted to the UK for tax purposes. Individual Note Holders should note that the Finance Act 2008 made changes to the UK's residence and domicile rules. They should consult their own taxation advisors as to the impact of these changes on the UK tax consequences of holding Capital Securities.

Provision of Information

Any Paying Agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HMRC. HMRC may communicate information to the tax authorities of other jurisdictions.

Taxation of disposal of Capital Securities

UK corporation taxpayers

In general Note Holders who are within the charge to UK corporation tax (other than investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies) will be treated for tax purposes as realising profits, gains or losses (including exchange gains and losses) in respect of the Capital Securities on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses (or where the Note Holder's functional currency is not pound sterling, then the pound sterling equivalent of such profits, gains and losses as computed in the Note Holder's functional currency) will be taken into account in computing taxable income for corporation tax purposes. Note Holders who are investment trusts, venture capital trusts, authorised unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the Capital Securities as other Note Holders who are within the charge to UK corporation tax, other than with respect to profits, gains or losses carried to or sustained by a capital reserve in the case of investment trusts and venture capital trusts, and other than with respect to profits, gains or losses which fall to be dealt with under certain headings for gains/losses in the statement of total return for the accounting period in respect of the Capital Securities in the case of authorised unit trusts and open-ended investment companies (or for those investment trusts, venture capital trusts, authorised unit trusts or open-ended investment companies preparing accounts in accordance with international accounting standards, profits, gains or losses specified by order made by the Treasury). Such capital profits, gains or losses will not be brought into charge to corporation tax.

Other UK taxpayers

Note Holders who are either resident or ordinarily resident in the UK will, in general, be subject to UK tax on capital gains on a disposal of the Capital Securities. In addition, Note Holders who are individuals and who dispose of Capital Securities while they are temporarily non-resident may be subject to UK tax on capital gains as if the capital gain or loss that would have accrued had the Note Holder been resident or ordinarily resident in the UK at the time of the disposal of the Capital Securities had accrued in the tax year in which they again become resident or ordinarily resident in the UK. Any capital gain will be calculated by reference to the consideration received for the disposal of the Capital Securities less the allowable original cost to the Note Holder of acquiring such Capital Securities (including currency exchange rate differences calculated by ascertaining the difference between the pound sterling equivalent at the date of acquisition of the consideration given for the Capital Securities and the pound sterling equivalent at the date of disposal of the proceeds received on disposal of the Capital Securities). For UK resident investors who are individuals (or other non-corporate Note Holders), taper relief, which reduces a chargeable gain depending on the length of time for which an asset is held by the individual, may be available to reduce the amount of chargeable gain realised on a subsequent disposal. However, Note Holders who are individuals and who are resident or ordinarily resident in the UK but who are not domiciled in the UK will not be subject to UK tax on capital gains arising on a disposal of the Capital Securities unless they remit, or are for tax purposes deemed to remit, the proceeds of the disposal to the UK. Individual Note Holders should note that the Finance Act 2008 made changes to the residence and domicile rules and should consult their own taxation advisors as to the impact of these changes on the UK tax consequences of holding Capital Securities.

On a disposal of Capital Securities, a Note Holder who is resident or ordinarily resident in the UK or carries on a trade or business in the UK through a branch or agency to which the Capital Securities are attributable may be chargeable to UK tax on income on an amount treated as representing interest accrued on the Capital Securities at the time of disposal.

Other Taxes

No stamp duty or stamp duty reserve tax is payable on issue, transfer or redemption of the Capital Securities, provided, in the case of stamp duty reserve tax, that no register of the Capital Securities is kept in the United Kingdom.

Taxation in the Republic of Ireland

The following is a general outline of certain Irish tax considerations relating to the purchase, ownership and disposal of the Capital Securities based on current law and practice in Ireland. It does not purport to be a complete analysis of all Irish tax considerations relating to the Capital Securities. It relates to the positions of persons who are the absolute beneficial owners of the Capital Securities and may not apply to certain classes of persons such as dealers, persons who hold such securities in connection with a trade and certain tax exempt bodies. This general summary is based upon Irish taxation laws currently in force, regulations promulgated thereunder and the currently published administrative practices of the Irish Revenue Commissioners, all as of the date hereof. Taxation laws are subject to change, from time to time, and no representation is or can be made as to whether such laws will change or what impact, if any, such changes will have on the statement contained in this summary. No assurance can be given that legislation or judicial changes or changes in administrative practice will not modify or change the statements expressed herein. This summary is of a general nature only. It does not constitute tax or legal advice and does not discuss all aspects of Irish taxation that may be relevant to any particular holder of the Capital Securities. Security Holders are advised to consult their own tax advisors with respect to the application of Irish taxation laws to their particular circumstances in relation to the purchase, ownership or disposition of Capital Securities.

Income Tax / Corporation Tax

An Irish resident, ordinarily resident and domiciled Security Holder will generally have a liability under the self-assessment system to pay tax at 20 per cent. or 41 per cent. (depending on the Security Holder's level of income) on any Coupon Payment received. An individual Security Holder may, depending on the particular circumstances of such Security Holder, be required to pay related social insurance and a health levy, which, taken together, could amount to a maximum of 5.5 per cent. of the Coupon Payment.

A corporate Security Holder will generally have a liability to pay tax at 25 per cent. on any Coupon Payment received. However, the applicable rate will be 12.5 per cent. where any such Coupon Payment constitutes part of the Security Holder's trading income.

Individuals who are not resident or ordinarily resident in Ireland will not have an Irish tax liability in respect of the Capital Securities. Corporations which are not resident in Ireland will not have an Irish tax liability in respect of the Capital Securities provided the Capital Securities are not held in connection with a trade carried on through a branch or agency by the company in Ireland.

Credit against Irish tax on the Coupon Payments received may be available in respect of foreign withholding tax paid by the Issuer.

Capital gains tax

Irish resident, ordinarily resident and domiciled Security Holders will be liable to Irish capital gains tax on any gains arising on the disposal of Capital Securities. No Irish tax will be payable in respect of gains on the sale or other disposal of Capital Securities if the taxable gain on such notes together with the taxable amount of any other capital gains realised by the Security Holder in the tax year in which the sale or other disposal occurs, does not exceed the annual capital gains tax exemption threshold (currently EUR 1,270) for that individual.

A corporate shareholder may be liable to pay tax at the rate of 20 per cent. in respect of gains arising from a sale or other disposal of the Capital Securities. However, the applicable tax rate will be 12.5 per cent. where such gains constitute part of the Security Holder's trading income.

Individuals who are neither resident nor ordinarily resident in Ireland and corporations which are not resident in Ireland will not be subject to Irish capital gains tax on disposal of the Capital Securities unless the Capital Securities are or were held for the purposes of a trade or business carried on by the Security Holder in Ireland.

Encashment Tax

A paying agent in Ireland who obtains Coupon Payments on behalf of a Security Holder may be required to withhold Irish tax at the standard rate (20 per cent.) unless the agent is supplied with a non-resident declaration in a form approved by the Irish Revenue Commissioners.

Stamp Duty

No stamp duty will be payable on issue of the Capital Securities. No stamp duty will be payable on the transfer or redemption of the Capital Securities provided the transfers are executed outside of Ireland.

Capital Acquisitions Tax

Gift or bequest of the Capital Securities may give rise to Irish capital acquisitions tax ("CAT") in the hands of the donee or successor if either the donor or the successor is resident or ordinarily resident in Ireland or if any of the Capital Securities are regarded as property situated in Ireland. CAT is a tax imposed primarily on the beneficiary. It is payable at a rate of 20 per cent. on the taxable value of the gift or inheritance subject to tax free thresholds. Gifts and inheritances between spouses are exempt from CAT.

Taxation in The Netherlands

The following summary outlines certain Netherlands tax consequences to Note Holders. The following summary is based on the current law and practice of The Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. The summary does not address The Netherlands tax consequences of a holder of Capital Securities who holds a substantial interest (*aanmerkelijk belang*) in the Issuer or the Bank, or to a holder of Capital Securities who owns, whether directly or indirectly, five per cent. or more of (i) the Capital Securities, or (ii) (any class of) other notes issued by the Issuer. A substantial interest is generally present if a holder does hold, alone or together with his spouse or partner, whether directly or indirectly, the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over, (a) shares representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company, (b) profit sharing certificates, entitling the holder to five per cent. or more of the profits or of the liquidation distributions of a company. Prospective Note Holders should consult their own professional tax adviser with respect to the tax consequences of any acquisition, ownership or disposal of Capital Securities in their individual circumstances.

Corporate and Individual Income Tax

Residents of The Netherlands

A Note Holder which is a corporate entity that is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes will generally be subject to corporate income tax on any benefits derived or deemed to be derived from the Capital Securities (including any capital gains realised on the disposal thereof).

An individual Note Holder who is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes (including a non-resident individual who has opted to be taxed as a resident of The Netherlands), is subject to tax in respect of income derived from and gains realised upon the Capital Securities at progressive rates with a maximum of 52 per cent., if:

- (i) the Note Holder has an enterprise or an interest in an enterprise, to which the Capital Securities are attributable; and/or
- (ii) such income or capital gains forms a "benefit from miscellaneous activities" (*resultaat uit overige werkzaamheden*), which would for instance be the case if the activities with respect to the Capital Securities exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "**lucrative interest**") that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If the above-mentioned conditions under (i) or (ii) do not apply, an individual Note Holder will not be taxable on actual payments on the Capital Securities and the actual gains realised upon the disposal of Capital Securities. Instead, the Note Holder will be taxed at a flat rate of 30 per cent. on deemed income from "savings and investments" (*sparen en beleggen*). This deemed income amounts to 4 per cent. of the average of the individual's "yield basis" (*rendementsgrondslag*), generally, at the beginning of the calendar year, and the individual's "yield basis" at the end of the calendar year.

Non-residents of The Netherlands

A Note Holder will not be subject to any Netherlands taxes on income or capital gains in respect of the Capital Securities, including such tax on any payment under the Capital Securities or in respect of any gain realised on the disposal, deemed disposal or exchange of the Capital Securities, provided that:

- (i) the Note Holder is neither a resident nor deemed to be a resident of The Netherlands, nor, if he is an individual, has elected to be taxed as a resident of The Netherlands; and
- (ii) the Note Holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Capital Securities are attributable; and
- (iii) if the Note Holder is an individual, such income or capital gain does not form a "benefit from miscellaneous activities in The Netherlands" (*resultaat uit overige werkzaamheden in Nederland*), which would for instance be the case if the activities in The Netherlands with respect to the Capital Securities exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "**lucrative interest**") that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

Gift and Inheritance Taxes

Residents of The Netherlands

Gift tax may be due in The Netherlands with respect to an acquisition of the Capital Securities by way of a gift by a Note Holder who is a resident or deemed to be a resident of The Netherlands. Inheritance tax may be due in The Netherlands with respect to an

acquisition of Capital Securities on the death of a Note Holder who is a resident, deemed to be a resident or is treated (at the request of the beneficiary(y)(ies) of the gift or estate) as a resident of The Netherlands, or by way of a gift within 180 days before his death by a holder of Capital Securities resident or deemed to be resident in The Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual who holds Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Netherlands gift tax, an individual not holding Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands with respect to an acquisition of Capital Securities by way of a gift by, or on the death of, a Note Holder who is neither a resident, deemed to be a resident, nor treated (at the request of the beneficiary(y)(ies) of the gift or estate) as a resident of The Netherlands, unless:

- (i) the Note Holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Capital Securities are or were attributable; or
- (ii) in the case of a gift of Capital Securities by an individual who at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such individual dies within 180 days after the date of the gift, while being a resident or deemed to be a resident in The Netherlands.

The Secretary of Finance has recently proposed new gift and inheritance tax legislation. The proposed legislation is intended to enter into force on 1 January 2010. If and when the new legislation enters into force in its current form, the previous paragraphs will be replaced by the following. The below paragraphs are provided for information purposes only, as they are based on a legislative proposal that has not entered into force, or been adopted by parliament, at the date of this Prospectus.

No gift or inheritance taxes will arise in the Netherlands with respect to an acquisition or deemed acquisition of Capital Securities by way of a gift by, or on the death of, a holder of Capital Securities who is neither resident nor deemed to be resident in the Netherlands, unless in the case of a gift of Capital Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For the purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to be made at the moment such condition precedent is satisfied.

For purposes of Netherlands gift and inheritance tax, an individual who holds the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

For purposes of Netherlands gift and inheritance tax, Capital Securities legally owned by a third party such as a trustee, foundation or similar entity or arrangement (hereinafter referred to as the "**Third Party**"), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the "**Settlor**") of such trust or similar arrangement (the "**Separated Private Assets**"). In such situation, (i) a gift by the Third Party will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule his/her beneficiaries will be deemed to have inherited directly from him/her. Subsequently, such beneficiaries will be deemed the settlor, grantor or similar originator of the Separated Private Assets for purposes of Netherlands gift and inheritance tax in case of subsequent gifts or inheritances.

Taxation in Spain

The following is a summary of the Spanish tax treatment at the date hereof in relation to income arising from the Capital Securities. The summary is intended only as a general guide to certain Spanish tax considerations relating to the holding, disposal, redemption or reimbursement of the Capital Securities and it does not purport to be a complete analysis of all tax considerations relating to the Capital Securities. Prospective investors in the Capital Securities should consult their professional advisors on the Spanish tax implications of the purchase, holding, redemption or sale of the Capital Securities.

The summary is based on the current common tax regime and practice applicable to investors in Spain, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. Other tax regimes are applicable in the so called "*territorios historicos*" of the Basque Region and Navarra which are, in substance, very similar to the common regime.

The comments below are made on the assumption that the Issuer of the Capital Securities (i) is not resident in Spain for tax purposes and (ii) is not acting through a permanent establishment located in Spain.

Spanish resident individuals

Pursuant to Spanish Law 35/2006, of 28 November, on Individual Income Tax (the "**Spanish IIT Law**"), income arising on the holding (e.g., the coupons), disposal, redemption or reimbursement of the Capital Securities obtained by individuals that are resident in Spain for tax purposes will be included in their savings taxable income and will be taxed at the rate of 18 per cent., regardless of its characterisation as interest income or as capital gain.

Income arising on the disposal, redemption or reimbursement of the Capital Securities will be calculated as the difference between (i) the disposal, redemption or reimbursement value (deducting the additional expenses incurred in the transfer, if they are duly justified) and (ii) the acquisition or subscription value (adding the additional expenses incurred in the acquisition, if they are duly justified).

Although the tax characterisation of the income arising from the Capital Securities as interest income or as capital gain is not important for the purposes of the tax rate applicable, it is important for the purposes of the possible offsetting of positive and negative income and capital gains and losses. In this regard, please note the following:

- (a) The savings taxable income generally includes interest income, capital gains and capital losses. Negative interest income sets off positive amounts of interest income included in the savings taxable income with no limit. Equally, capital losses included in the savings taxable income sets off capital gains with no limit. However, it is not possible to set off (i) capital gains with negative interest income or (ii) positive interest income with capital losses.
- (b) The tax characterisation of the income arising from certain financial products, such as the Capital Securities, is not totally clear under Spanish IIT Law, which does not include tiebreaker rules to characterise income as interest income or as capital gain. It is worth mentioning however that the Spanish tax authorities have tended to attract the characterisation of income arising from products similar to the Capital Securities as interest income. In our view, when securities have certain characteristics, among others, they are equity linked or have no fixed maturity date, they may give rise capital gains and losses. However, we recognise that this issue is far from being clear.

No Spanish withholding tax will be applicable provided that no entity tax resident in Spain (or Spanish permanent establishment of a foreign entity) acts as a custodian of the Capital Securities or is in charge of the collection of the income arising from the Capital Securities.

Otherwise, income arising on the holding, disposal, redemption or reimbursement of the Capital Securities would be subject to Spanish withholding tax at the 18 per cent. tax rate. Spanish withholding tax is creditable and refundable against the IIT liability.

Finally, should the income derived from the Capital Securities be subject to withholding tax at source, the Spanish resident individual would be allowed to deduct from his or her annual IIT liability the lower of the following two amounts:

- (a) the actual amount paid at source due to a tax of identical or analogous nature to IIT or non residents income tax (i.e. withholding tax); or
- (b) the result of applying the effective average tax rate to the part of the net tax base taxed abroad.

Spanish resident entities

Income arising on the holding (e.g., the coupons), disposal, redemption or reimbursement of the Capital Securities obtained by entities that are resident in Spain for tax purposes will be taxed on an accrual basis based on the income disclosed in its accounting records under the rules provided for in the Spanish General Accepted Accounting Principles, adjusted in accordance with the rules contained in the Royal Legislative Decree 4/2004, of 5 March, on Corporate Income Tax (the "**Spanish CIT Law**").

Said income will be taxed at the ordinary CIT tax rate. The ordinary CIT tax rate applicable is currently 30 per cent.

No Spanish withholding tax will be applicable provided that no entity tax resident in Spain (or Spanish permanent establishment of a foreign entity) acts as a custodian of the Capital Securities or is in charge of the collection of the income arising from the Capital Securities.

Otherwise, income arising on the holding, disposal, redemption or reimbursement of the Capital Securities would be subject to Spanish withholding tax at the 18 per cent. tax rate. Spanish withholding tax is creditable and refundable against the CIT liability.

Finally, should the income derived from the Capital Securities be subject to withholding tax at source, the Spanish resident entity shall be allowed to deduct from its annual CIT liability the lower of the following two:

- (a) the actual amount paid at source due to a tax of identical or analogous nature to CIT (i.e. withholding tax); or
- (b) the amount of tax which would have been payable should such income had been obtained in Spain.

Non-resident investors

Income arising on the holding, disposal, redemption or reimbursement of the Capital Securities obtained by individuals or entities non-resident in Spain will generally not be taxable in Spain and no tax will be withheld.

Income arising on the holding, disposal, redemption or reimbursement of the Capital Securities obtained by non-Spanish entities acting in Spain through a permanent establishment will be subject to a tax in Spain under a tax regime similar to that described above in the "Spanish resident entities" section.

Spanish Inheritance and Gift Tax

The acquisition of the Capital Securities by Spanish resident individuals as a consequence of transfers on death or by gift may be subject to Spanish Inheritance and Gift Tax. The applicable tax rate, after applying all relevant factors, ranges between 7.65 per cent. and 81.6 per cent. and shall be applied on the market value of the Capital Securities at the time of death or gift less the qualifying value of liens, debts or expenses. Several reductions and relieves might be applicable, in particular for inheritances or gifts carried out between close relatives.

Specific advice should be sought by Spanish resident individuals in order to determine the effective taxation, as the different Spanish Autonomous Regions (*Comunidades Autónomas*) are competent to rule in this respect.

Non-Spanish resident individuals are only subject to Spanish Inheritance and Gift Tax in respect of the acquisition, as a consequence of transfers on death or by gift, of rights and assets, which are situated, can be exercised or should be enforced in Spanish territory. In this sense if the Capital Securities were under custody by an entity tax resident in Spain (or a Spanish permanent establishment of a foreign entity), Capital Securities will be likely treated as situated in the Spanish territory.

Spanish Transfer Tax, Stamp Duty

The issue, transfer, redemption or reimbursement of the Capital Securities will be exempt from Spanish Transfer Tax, Value Added Tax or Stamp Duty.

Taxation in Portugal

This section contains a summary of the general Portuguese tax treatment of the acquisition, holding and sale or redemption of the Capital Securities. It does not purport to provide a comprehensive and complete representation of all aspects that could be relevant to investors under Portuguese tax law. It is based on the Portuguese tax law in force at the time of preparing this Prospectus, subject to changes from time to time. We therefore strongly recommend that potential investors seek advice from their professional tax advisors with respect to the tax implications of the acquisition, holding and sale or redemption of the Capital Securities in the context of each particular case.

General

Coupon Payments, as well as any redemption or repayment prizes and, in general terms, all forms of remuneration of the Capital Securities will be qualified as capital investment income from debt securities. This shall include the amount of unpaid interest accrued between the date of issue, or the last due date, and the transfer date, as well as the difference, if any, between the repayment amount and the issue price proportional to such period of time, in case of sale of the Capital Securities. Other revenue obtained from the sale of the Capital Securities – namely, the transfer price after deduction (a) of unpaid interest accrued between the date of issue, or the last due date, and the transfer date, and (b) of the difference, if any, between the repayment amount and the issue price proportional to such period of time - will be qualified as capital gains for tax purposes.

As a rule, and except for the exemptions detailed below, capital investment income paid out through a Portuguese based coupon paying agent (notably, in case of Capital Securities held in a custodial account maintained with a bank or financial services provider in Portugal, including branches of foreign banks or financial services providers) will be subject to a Portuguese withholding tax at the rate of 20 per cent., upon the maturity term.

Tax resident Security Holders

Corporate Security Holders

Corporate Security Holders deemed resident in Portugal (with statutory seat or place of effective management located in Portuguese territory) are generally subject to Portuguese Corporate Income Tax (*IRC*), levied at the rate of 12,5% for taxable income up to Eur. 12.500 and 25 per cent. for taxable income exceeding Eur. 12.500, on their worldwide income, which may be accrued of a municipal tax (*Derrama*) levied at a rate of up to 1.,5 per cent., resulting in an overall tax burden on profit between 14% per cent. and 26,5 per cent. Income derived from the Capital Securities, either under the form of interest or proceeds accrued upon sale, redemption or repayment, including capital gains, shall concur to assessing the corporate taxable profit.

Securities investment funds (*FIM*) real estate investment funds (*FII*) and funds of funds, incorporated and operating under Portuguese law, are subject to a special taxation regime, whereby capital investment income obtained from the Capital Securities (issued abroad by a non-resident) will be subject to tax at the rate of 20 per cent. levied on the net income assessed on an annual basis. Capital gains derived from the sale of the Capital Securities will be excluded from income taxation.

- In case there are any taxes withheld at source (e.g., in Jersey), the Portuguese tax resident corporate Security Holders may benefit from a tax credit, up to the lower of the following amounts: the tax withheld abroad, or (ii) the part of the Portuguese

tax payable under the laws of Portugal which is appropriate to the income which may be taxed in the other State.

(i) Corporate tax exemptions

The following types of Portuguese investment funds, incorporated and operating according to Portuguese law, will be exempt from income taxation on profits raised from the Capital Securities: pension and education funds (*FPR*, *FPE* and *FPR/E*); venture capital funds (*FCR*); real estate investment funds on forest resources, real estate investment funds for urban rehabilitation, real estate investment funds for rental housing and stock funds (*FPA*).

Individual Security Holders

Individuals deemed resident in Portugal for tax purposes are liable to Portuguese Personal Income Tax (*IRS*), levied on their worldwide income, at progressive rates between 10.5 per cent. and 42 per cent.

(i) Withholding tax

Coupon Payments (as well as any other payments qualified as capital investment income) made by a Portuguese based paying agent will be subject to withholding tax at the rate of 20 per cent. levied on the gross income.

As a rule, tax withheld settles the tax liability on capital investment income. However, individual Security Holders may, under certain circumstances and as long as the income is not obtained within the scope of a business activity, elect to include such income in its global income for the purpose of assessing its overall income tax liability in the relevant tax year. In case capital investment income is generated within a business activity submitted to accounting compliance, tax withheld has the nature of a payment on account and thus will be credited against the final income tax assessed on the business taxable profit.

If not subject to withholding tax in Portugal, Coupon Payments will be subject to taxation in final terms at a 20 per cent. autonomous tax rate.

In case there are any taxes withheld at source (e.g., in Jersey), the Portuguese tax resident individual Security Holder may benefit from a tax credit, up to the lower of the following amounts: (i) the tax withheld abroad, or (ii) the part of the Portuguese tax payable under the laws of Portugal which is appropriate to the income which may be taxed in the other State.

In the case of Portuguese non-habitual residents (i.e., high value individuals who were not residents in Portuguese territory in the previous 5 years and chose to benefit from this special regime during the following 10 years), investment income will be exempt, as long as: (i) the investment income is subject to taxation in the other State under the respective Double Tax Treaty (DTT) entered into with Portugal; (ii) or, if there is no DTT, the investment income is subject to taxation in the other country or territory provided this is not included in the Portuguese tax havens list and the income is not deemed to be obtained in Portuguese territory.

(ii) Income tax exemptions

Capital gains derived from the sale of the Capital Securities will be excluded from income taxation.

(iii) Savings Directive

Portugal and Jersey have entered into an agreement in order to adopt similar measures to the ones foreseen under the Savings Directive (Directive n.º 2003/48/CE) applicable to interest income obtained by individuals who qualify as tax resident in an European Union Member State. Under this agreement, Jersey has chosen to apply, during a transitional period, a withholding tax 20 per cent. (from July 2008 up to July 2011) and 35 per cent. (from July 2011 up to July 2014) on interest paid by a paying agent located in Jersey to a Portuguese tax resident beneficial owner. Nevertheless, the beneficial owner may choose to apply the exchange of information mechanism and provide details on the interest received (see "Taxation in Jersey" above).

In case the withholding applies, the Portuguese State must ensure the elimination of double taxation arising from the taxes withheld by the paying agent in Jersey, under certain conditions.

Non-resident Security Holders

Proceeds derived from the Capital Securities by non-resident Security Holders, provided these are not attributable to a permanent establishment located in Portugal, will not be deemed Portuguese source income for tax purposes and, thus, shall be excluded from Portuguese taxation.

Other taxes

Stamp Duty

No stamp duty will be payable on issue, transfer or redemption of, or on interest borne by, the Capital Securities.

Stamp duty, levied at the rate of 10 per cent., may be due by individuals benefiting from a donation/free transfer of the Capital Securities. A tax exemption applies whenever the beneficiary is the spouse, ascendant or descendant of the donor.

SUBSCRIPTION AND SALE

The final aggregate nominal amount, the number of the Capital Securities and the rate of interest applicable to the Capital Securities as well as the Nominal Contribution Amount of the Silent Contribution and the rate of interest at which distributions thereon may accrue are expected to be determined on or around 19 November 2009 on the basis of a bookbuilding procedure carried out during the bookbuilding period beginning on or around 9 November 2009 and ending on or around 18 November 2009. The Issuer reserves the right to extend or shorten the offer period in accordance with applicable law. The Issuer also retains the right not to proceed with the issue of the Capital Securities. The results of the bookbuilding procedure will be published by the Issuer in accordance with Article 8(1) in connection with Article 14(2) of the Prospectus Directive and Article 16 of the Luxembourg Law on prospectuses for securities of 10 July 2005 (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) on or around 20 November 2009 on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Pursuant to a subscription agreement expected to be entered into on or around 24 November 2009 (the "**Subscription Agreement**"), BNP Paribas, 10 Harewood Avenue, London NW1 6AA, United Kingdom and DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60265 Frankfurt am Main, Germany (collectively the "**Managers**") will agree, subject to certain customary closing conditions, to purchase the Capital Securities on the Issue Date for the aggregate nominal amount of the Capital Securities as determined at the end of the bookbuilding period at the price of 100 per cent. of their aggregate nominal amount in order to sell the Capital Securities to investors. In return, the Managers will be paid a combined management, underwriting and selling commission by MünchenerHyp (expected to amount to 2 per cent. of the aggregate nominal amount of the Capital Securities). The amount of the combined management, underwriting and selling commission payable by MünchenerHyp will be published by the Issuer together with the information set out in the preceding paragraph in accordance with Article 8(1) in connection with Article 14(2) of the Prospectus Directive and Article 16 of the Luxembourg Law on prospectuses for securities of 10 July 2005 (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) on or around 20 November 2009 on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Managers may pay a portion of their commission to third parties involved in the distribution of the Capital Securities. The amount of such payments will vary. The relevant distributors are obliged to disclose the amount of such remuneration to their customers and investors to whom Capital Securities are sold by third parties should inquire the level of fees received from their respective counterparty.

The Capital Securities will be delivered against payment of the issue price on the Issue Date (expected to be on or about 26 November 2009), with admission to listing on the official list of the Luxembourg Stock Exchange and admission to trading on the regulated market of the Luxembourg Stock Exchange also on such day or as soon thereafter as possible. It is further intended to apply for admission of the Capital Securities to listing on the Munich Stock Exchange and to trading on the regulated market of the Munich Stock Exchange.

MünchenerHyp has undertaken to indemnify and hold harmless each of the Managers of any liability incurring in the context of the subscription and sale of the Capital Securities. The Subscription Agreement will entitle the Managers to terminate it in certain circumstances prior to the issue of, and payment for, the Capital Securities. No expenses or taxes will be charged to the Managers or to any purchaser of the Capital Securities. In such event, no Capital Securities will be delivered to investors.

The Managers or their affiliates have provided from time to time, and expect to provide in the future, investment services to the MünchenerHyp group, for which the Managers or their affiliates have received or will receive customary fees and commissions.

There are no material conflicts of interest involving either natural or legal persons that arise from the Capital Securities or in connection with the issue.

SELLING RESTRICTIONS

Each of the Managers has represented and agreed that it has not offered, sold, or delivered and will not offer, sell or deliver any of the Capital Securities directly or indirectly, or distribute this Prospectus or any other offering material relating to the Capital Securities, in or from any jurisdiction except under circumstances that would result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Bank, the Issuer, the Issuer General Partner or the Issuer Limited Partner.

United States of America

Each of the Managers has represented and agreed that, except as permitted by the purchase agreement relating to the Capital Securities among the Managers, the Bank and the Issuer and except in accordance with Rule 903 of Regulation S, it will not offer or sell the Capital Securities within the United States 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 Issue Date, and it will have sent to each dealer to which it sells Capital Securities during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States 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 Capital Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Capital 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.

European Economic Area

In relation to each Member State of 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 the Capital Securities to the public in that Relevant Member State other than the offer contemplated in this Prospectus in Luxembourg, Germany, The Netherlands, the United Kingdom, Ireland, Spain, Portugal and Austria prior to the publication of a prospectus in relation to the Capital Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Capital Securities to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (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 EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives of the Managers for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer will require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Capital Securities to the public” in relation to any Capital 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 Capital Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Capital Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The European Economic Area selling restriction is in addition to any other selling restrictions set out in this Prospectus.

United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) 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 Capital Securities which are the subject of the offering contemplated by this Prospectus in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, the Capital Securities may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Capital Securities be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (iii) pursuant to, and in

accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased Capital Securities, namely a person who is:

- (a) a corporation (which is not an accredited investor in accordance with this regulation) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the Securities and Futures Act, except:

- (a) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person, or any person pursuant to Section 275 (1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

Hong Kong

Each Manager has represented and agreed that

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Capital Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Jersey

Each Manager has severally represented to, and agreed with, the Issuer that:

- (a) Capital Securities may not be offered to, sold to or purchased or held by or for the account of persons (other than financial institutions in the normal course of business) resident for income tax purposes in Jersey;
- (b) it has not offered or sold and will not offer or sell any Capital Securities in any jurisdiction in a manner that would cause the Issuer to be in breach of the consents granted to it by the Jersey Financial Services Commission; and
- (c) it will not take any action on behalf of the Issuer that would result in the Issuer being required to become registered under the Financial Services (Jersey) Law 1998, as amended.

A financial institution for these purposes includes, without limitation, a bank, finance house, insurance company, investment trust or fund, mutual fund or society, pension fund and other institution of a like nature.

General

In addition to the specific restrictions set out above, each of the Managers has agreed that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Capital Securities or distribute any offering material.

GENERAL INFORMATION

Subject of this Prospectus

The subject of this Prospectus is the issue of the Capital Securities in the denomination of EUR 1,000, to be issued by Isar Capital Funding I Limited Partnership, a limited partnership established under the laws of Jersey on 4 September 2008.

Clearing Codes

The Capital Securities have been accepted for clearance through the facilities of Clearstream Banking AG, Neue Börsenstraße 1, D-60487 Frankfurt am Main under the following clearance codes:

ISIN: DE000A1APTA4

WKN: A1APTA

Issue Date

It is expected that the Capital Securities will be issued on or about 26 November 2009.

Yield to Maturity

There is no explicit yield to maturity. The Capital Securities do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Capital Securities at the full stated rate.

Listing Documents for Inspection

Application has been made to the CSSF as competent authority under the Prospectus Directive, for this Prospectus to be approved.

At any time during the term of the Capital Securities, the most recently published audited annual financial statements of the Bank and, once available, the most recently available annual accounts of the Issuer, will be available for inspection and electronic and physical copies will be obtainable free of charge at the office of the Paying Agent in Frankfurt/ Main.

In addition, the following documents will be available for inspection and electronic and physical copies will be obtainable, free of charge, at the offices of the Issuer and the Paying Agent:

- Articles of Association (*Satzung*) of MünchenerHyp;
- the Limited Partnership Agreement of the Issuer
- the consents and authorisations referred to under Authorisations below.

Electronic and physical copies of these documents as well as of annual financial statements and interim financial information are also available at the office of MünchenerHyp, Karl-Schönagel-Ring 10, 80539 Munich, Germany.

The Issuer will not provide any other post-issuance transaction information regarding the Capital Securities, the Participation or the Bank or otherwise.

Paying Agent

BNP Paribas Securities Services, Frankfurt Branch
Grüneburgweg 14
60322 Frankfurt
Germany

Notices

For as long as the Capital Securities are listed on one or more stock exchanges and to the extent the rules of such stock exchange(s) so require, notices to the Security Holders will be given by publication in a leading daily newspaper having general circulation in the jurisdiction of any such stock exchange. So long as any of the Capital Securities are listed on the Luxembourg Stock Exchange and the Luxembourg Stock Exchange so requires, notices to the Security Holders will be given by the Issuer by publication in a leading newspaper with general circulation in Luxembourg or by publication on the website of the Luxembourg Stock Exchange

(www.bourse.lu). Any notice shall be deemed to be effected on the date of its publication (or, in case of several publications, on the date of its first publication).

The Issuer shall also be entitled to give notices (by mail, telefax or electronically) to the Clearing System for communication by the Clearing System to the Security Holders or directly to the Security Holders provided that this complies with the rules of the stock exchange(s) on which the Capital Securities are listed. Notifications vis à vis the Clearing System shall be deemed to be effected seven days after the notification to the Clearing System, and direct notifications to the Security Holders shall be deemed to be effected upon their receipt.

The text of any publication to be made in accordance with the Terms and Conditions of the Capital Securities shall also be available at the specified office of the Paying Agent.

Authorisations

The distribution of this Prospectus has been authorised by a board resolution of the Issuer General Partner dated 29 October 2009. The issue of the Capital Securities by the Issuer is expected to be authorised by a board resolution of the Issuer General Partner dated 29 October 2009.

Listing and Admission to Trading

Application has been made in order for the Capital Securities to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market "Bourse de Luxembourg" of the Luxembourg Stock Exchange. It is further intended that application will be made to the Munich Stock Exchange for the Capital Securities to be listed on the Munich Stock Exchange and to be traded on the Regulated Market of the Munich Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

MünchenerHyp's Annual Reports for the financial years ended 31 December 2008 and 31 December 2007 as well as the unaudited Interim Financial Statements for the period 1 January to 30 June 2009 and the unaudited Business Figures September 2009, all in the English language, are incorporated by reference into, and form a part of, this Prospectus. The documents incorporated by reference constitute a translation of the respective German annual financial statements, management report and auditors' report.

The Issuer's audited annual financial statements as at and for the year ended 31 December 2008 and the Issuer's unaudited financial statements of the Issuer for the period ended 30 June 2009, all in the English language, are incorporated by reference into, and form a part of, this Prospectus.

Comparative Table of Documents incorporated by Reference

In relation to MünchenerHyp:

Page / Section in Prospectus	Section of document incorporated by reference	Pages of document incorporated by reference
Page 54 / Risks associated with the Business of MünchenerHyp	Risk Report included in the Management Report	Pages 33 to 36 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Management Report	Pages 7 to 46 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Balance Sheet, 31 December 2008	Pages 48 to 51 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Income Statement for the year ended 31 December 2008	Pages 52 to 53 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Notes	Pages 55 to 74 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Auditors' Report	Page 75 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Affirmation by the Legal Representatives	Page 76 of the Annual Report 2008
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Management Report	Pages 12 to 48 of the Annual Report 2007
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Balance Sheet, 31 December 2007	Pages 50 to 53 of the Annual Report 2007
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Income Statement for the year ended 31 December 2007	Pages 54 to 55 of the Annual Report 2007

Page / Section in Prospectus	Section of document incorporated by reference	Pages of document incorporated by reference
<i>Historical Financial Information</i>		
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Notes	Pages 56 to 76 of the Annual Report 2007
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Auditors' Report	Page 77 of the Annual Report 2007
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Affirmation by the Legal Representatives	Page 78 of the Annual Report 2007
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Interim Management Report	Pages 3 to 9 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Balance Sheet as at 30 June 2009	Pages 12 to 15 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Income Statement 1 January through 30 June 2009	Pages 16 to 17 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Notes to the half-yearly Financial Statement as at 30 June 2009 (abridged)	Page 18 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Certification following Review	Page 19 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Affirmation of the Legal Representatives	Page 19 of the unaudited Interim Financial Statements for the period 1 January to 30 June 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Excerpt from the Balance Sheet as at 30 September 2009	Page 1 of the unaudited Business Figures September 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Excerpt from Income Statement for the period 1 January to 30 September 2009	Page 2 of the unaudited Business Figures September 2009
Page 112 / Financial Information concerning MünchenerHyp's Assets and Liabilities, Financial Position and Profits and Losses / <i>Historical Financial Information</i>	Business Development	Page 3 of the unaudited Business Figures September 2009

In relation to the Issuer:

Page / Section in Prospectus	Section of document incorporated by reference	Pages of document incorporated by reference
Page 105 / Historical Financial Information	Independent Auditor's Report to the Partners of Isar Capital Funding I Limited Partnership	Page 3 of the audited Financial Statements for the period ended 31 st December 2008
Page 105 / Historical Financial Information	Balance Sheet as at 31 st December 2008	Page 4 of the audited Financial Statements for the period ended 31 st December 2008
Page 105 / Historical Financial Information	Statement of Changes in Partnership Interests	Page 5 of the audited Financial Statements for the period ended 31 st December 2008
Page 105 / Historical Financial Information	Notes	Pages 6 to 8 of the audited Financial Statements for the period ended 31 st December 2008
Page 105 / Historical Financial Information	Balance Sheet as at 30 th June 2009	Page 3 of the unaudited Financial Statements for the period ended 30 th June 2009
Page 105 / Historical Financial Information	Income Statement for the period 1 January 2009 to 30 June 2009	Page 4 of the unaudited Financial Statements for the period ended 30 th June 2009
Page 105 / Historical Financial Information	Statement of Changes in Partnership Interests	Page 5 of the unaudited Financial Statements for the period ended 30 th June 2009
Page 105 / Historical Financial Information	Notes	Pages 6 to 8 of the unaudited Financial Statements for the period ended 30 th June 2009

Information not listed in the above "Comparative Table of Documents incorporated by Reference" but included in the documents incorporated by reference is given for information purposes only.

This Prospectus (including any document incorporated by reference herein) will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Head Office of MünchenerHyp

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10
80539 Munich
Germany

Issuer

Isar Capital Funding I Limited Partnership
22 Grenville Street
St. Helier
Jersey JE4 8PX
Channel Islands

Security Trustee

BNP Paribas Trust Corporation UK Limited, London
55 Moorgate
London EC2R 6PA
United Kingdom

Paying Agent

BNP Paribas Securities Services, Frankfurt Branch
Grüneburgweg 14
60322 Frankfurt
Germany

Lender

Münchener Hypothekenbank eG
Karl-Scharnagl-Ring 10
80539 Munich
Germany

Joint Lead Managers

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

DZ BANK AG Deutsche
Zentral-Genossenschaftsbank Frankfurt
am Main
Platz der Republik
60265 Frankfurt am Main

Legal Advisors to the Managers

as to German law

Freshfields Bruckhaus Deringer LLP
Bockenheimer Anlage 44
60322 Frankfurt am Main
Germany

Freshfields Bruckhaus Deringer LLP
Prannerstraße 10
80333 Munich
Germany

as to Jersey law

Mourant du Feu & Jeune
22 Grenville Street
St. Helier
Jersey JE4 8PX
Channel Islands

Auditors to MünchenerHyp

DGRV – Deutscher Genossenschafts- und Raiffeisenverband e.V.

Pariser Platz 3
10117 Berlin
Germany