

# USD 10yNC12m KfW Steepener

*Traded Termsheet as of 08 February 2006*

|                          |  |
|--------------------------|--|
| Description              | 10 Year USD-denominated Callable Curve Steepness Note (the 'Notes') with Interest linked to the Spread between the USD 10 Year CMS Rate and the USD 2 Year CMS Rate. The Notes are callable by the issuer after 12 months and annually thereafter. |
| Issuer                   | KfW  |
| Issuer's Rating          | Aaa Moody's / AAA S&P's  |
| Status                   | Senior Unsubordinated  |
| Specified Denomination   | USD 5,000 per Note   |
| Aggregate Nominal Amount | USD[100,000,000]   |
| Issue Price              | 100.00% (subject to market conditions)<br><b><i>The Notes are trading DIRTY. Accrued Interest is already included in the Secondary Market Price.</i></b>   |
| Launch Date              | 08 February 2006   |
| Subscription End         | 21 February 2006, 04:00 pm London time.  |
| Issue Date               | 28 February 2006   |
| Maturity Date            | 1 March 2016   |

## Interest Payments Details

|                  |   |
|------------------|---|
| Interest Amount: | Coupon rate x Specified Denomination x Day Count fraction   |
| Coupon Rate:     | <b>Year 1.00 - 10.00: 2.25% + 25 * CMS-Spread,</b><br><b>subject to Max of 15%</b><br><b>subject to Min of 0%</b><br><br><b>CMS-Spread = [USD 10 Year CMS Rate - USD 2 Year CMS Rate] reset two (2) Business Day prior to the END of the Interest Period. Fixings are taken annually and will be left unchanged from the Rate Source.</b>           |
| Interest Period  | The initial Interest Period will be the period from and including the Issue Date to but excluding the first Interest Payment Date. Each subsequent Interest Period will be the period between two successive Interest Payment Dates, from and including one Interest Payment Date to but excluding the immediately following Interest Payment Date. |

## Fixed Income Wealth Management Products

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| <b>Europe</b>            | +41-44-874-1155  | <b>Middle East</b> | +44-207-567-8927 | <b>Asia</b> | +65-683-65312   |
|                          |                  |                    |                  |             | +65-643-18621   |
| <b>Product Helpline:</b> | +49-69-2179-8989 |                    |                  |             |                 |

Rate Source:

| Rate             | Rate Source  |
|------------------|--|
| USD 10y Swap     | The 10 Year Semi annual 30/360 par rate swaps on Reuters Page ISDAFIX1 under the "11:00 a.m. Fix" column |
| USD 2y Swap Rate | The 2 Year Semi annual 30/360 par rate swaps on Reuters Page ISDAFIX1 under the "11:00 a.m. Fix" column  |

|                         |  |
|-------------------------|--|
| Interest Payment Dates  | 1 <sup>st</sup> March in each year from and including 1 <sup>st</sup> March 2007 to and including 1 <sup>st</sup> March 2016. The coupon paid on the 1 <sup>st</sup> March 2007 will be a long first coupon. |
| Calculation Agent:      | UBS AG, London Branch  |
| Business Day Convention | Modified Following Adjusted  |
| Business Days           | London, New York   |
| Day count               | 30/360   |

### Redemption Specifics

|                                |   |
|--------------------------------|---|
| Redemption Amount at Maturity  | 100%  |
| Early Redemption Option (Call) | The Issuer may redeem the Notes, in whole but not in part, on each Interest Payment Date commencing on 01 March 2007 (adjusted as per the Business Day Convention), upon giving written notice at least five (5) Business Days prior to the Interest Payment Date to the Programme's Issuing and Paying Agent. Note Holders will be entitled to any Interest payments due on the Early Redemption Date. |
| Early Redemption Date          | If the Notes are called, the Interest Payment Date in respect of which the Early Redemption Option is exercised.  |
| Optional Redemption Amount     | 100% of the Aggregated Nominal Amount   |

### General Information

|                        |  |
|------------------------|--|
| Principal Paying Agent | UBS AG, London Branch  |
| Principal Paying Agent | UBS AG, London Branch  |
| Settlement             | Standard EMTN via Euroclear / Clearstream Banking  |
| Calculation Agent      | UBS AG, London Branch  |
| Tax Redemption         | Applicable, as detailed in the Pricing Supplement.   |
| Documentation          | Issued off the Issuer's Euro Medium Term Note Programme. Purchase of the Notes is subject to and should be read in conjunction with the terms and conditions of the Notes, the Base Prospectus for the Programme and the Pricing Supplement relating to this issue of Notes. A copy of these will be provided to investors on request.   |
| Market Making          | It is the current practice (but not the legal obligation) of UBS Limited to quote on request a live price, which it might pay/charge for buying back any Note of this type that it arranges. A live buy-back price may be affected by then-current market conditions, liquidity and market standard denomination. UBS is under no obligation to hold a price quoted for any length of time unless this is agreed at the time of giving the quote. The Note holder should have the ability and intention to hold the Notes until the Maturity Date. Under normal market circumstances UBS will aim to provide a secondary market with a one percent bid offer spread. |

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Security No./Codes

ISIN: XS0244388053  
Valor: 2444114  
WKN: TBA

## Additional Information

|                                       |  |
|---------------------------------------|--|
| Product Risk Disclosure               | The Investor must be aware that the Notes may be called prior to Maturity Date. Furthermore, if on any fixing day in Year 1.00 - 10.0 the Spread between the USD 10 Year CMS Rate and the USD 2 Year CMS Rate is NOT greater than or equal to 0%, the Coupon in that particular Interest Period may be as low as Zero (0.00%). |
| EU Savings Tax (Swiss Ruling) Listing | IN-SCOPE:<br>Luxembourg  |

## Selling Restrictions

**Any Notes/Certificates purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes/Certificates in such jurisdiction.**

**Holders of the Notes/Certificates are advised to read the selling restrictions described more fully in the Offering Memorandum. The restrictions listed below must not be taken as definitive guidance as to whether this note can be sold in a jurisdiction. Holders of the Notes/Certificates should seek specific advice before onselling a Note/Certificate.**

### Europe

For EEA jurisdictions (EU member states plus Norway, Iceland and Liechtenstein) that have implemented the EU Prospectus Directive, **the Final Terms and Base Prospectus for these Notes DO NOT QUALIFY as a prospectus published in accordance with the requirements of the EU Prospectus Directive.** Unless and until a prospectus has been published in accordance with the requirements of the EU Directive, these Notes may not be offered or sold other than 1) in minimum denominations of, or total consideration per investor of at least, EUR 50,000 (or equivalent in other currencies) or 2) only to Qualified Investors; and/or (aggregated for all distributors) to less than 100 offerees that are not Qualified Investors per EEA jurisdiction. A "Qualified Investor" is a legal entity that (i) is authorised or regulated to operate in the financial markets or has the sole purpose to invest in securities; or (ii) meets two of the following three criteria (as shown in its last annual or consolidated accounts): (a) an average number of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43,000,000; and (c) an annual net turnover of more than EUR 50,000,000.

For EEA jurisdictions that have not implemented the EU Prospectus Directive, sales must be in compliance with the law of that jurisdiction.

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The Notes may not be sold or offered within the United States or to U.S. persons.

## Hong Kong

The Notes have not been offered and sold, and each purchaser represents and agrees that it will not offer and sell the Notes in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy and sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance. In relation to the issue of the Notes, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

## Singapore

*The following applies subsequent to the coming into force of the amendments to Part XIII of the SFA (as amended by the Securities and Futures (Amendment) Act 2005).*

This Term Sheet has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Cap. 289) of Singapore ("SFA"). Accordingly, this Term Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the bonds/securities may not be circulated or distributed, nor may the bonds/securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

In the event where the bonds/securities are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investment 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 accredited investor; then the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the bonds/securities under Section 275 except:
  - (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA;
  - (2) where no consideration is given for the transfer; or
  - (3) by operation of law.

## Luxembourg

The Terms and Conditions related to this product have not been approved by and will not be submitted for approval to the competent authority in Luxembourg -

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#### UK

The Notes should not be sold with a consideration of less than 50,000 EUR or equivalent.

#### Others

As detailed in the Base Prospectus for the Programme

This information is communicated by UBS AG and/or its affiliates ("UBS"). \* (see below) UBS may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying the transaction to which the termsheet relates. UBS may provide investment banking and other services to and/or have officers who serve as directors of the companies referred to in this term sheet. UBS's trading and/or hedging activities related to this transaction may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

In certain circumstances UBS sells these notes to dealers and other financial institutions at a discount to the issue price or rebates to them for their own account some proportion of the issue price. Further information is available on request.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in any transaction.

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