

## Non-binding English Translation

### Terms and Conditions of the 1,75 % Inflation-linked Bonds of the Federal Republic of Germany of 2009 (2020)

(consolidated and forming a single series with the Euro 3 000 000 000 1,75% Inflation-linked Bond issued on 12 June 2009, tapped by Euro 2 000 000 000 on 30 October 2009 and by Euro 2 000 000 000 on 15 January 2010 and by Euro 1 000 000 000 on 12 March 2010 and by Euro 1 000 000 000 on 11 June 2010 and by Euro 1 000 000 000 on 21 July 2010 and by Euro 1 000 000 000 on 6 October 2010 and by Euro 1 000 000 000 on 10 November 2010 and by Euro 1 000 000 000 on 12 January 2011)

#### § 1

##### General Provisions

(1) **Principal Amount and Denomination.** The issue of the 1,75 % Inflation-linked Bonds due 15 April 2020 of the Federal Republic of Germany (the "Issuer") in the aggregate principal amount of

Euro 2 000 000 000

is divided into bonds in the denomination of Euro 0.01 each (the "Bonds").

(2) **Form and Custody.** The Bonds will be constituted by entry of a collective debt register claim into the Federal Debt Register (Bundesschuldbuch) in the name of Clearstream Banking AG, Frankfurt am Main ("CBF"), acting as fiduciary for the holders of the Bonds (the "Bondholders"). Such collective debt register claim will be administered by CBF for financial institutions that are accountholders of CBF ("CBF-Accountholders"), including, inter alia, Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("CBL"), which will hold interests in the Bonds on behalf of their respective participants.

(3) **Transfer.** Transfers of Bonds in the form of a collective debt register claim shall require appropriate entries in securities accounts.

(4) **Business Day.** For the purpose of these Terms and Conditions, "Business Day" means any day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) and CBF are operational.

#### § 2

##### Interest

(1) **Interest.** The Bonds shall bear interest per annum on the aggregate principal amount from (and including) 15 April 2009 (the "Interest Commencement Date"). The Bonds shall cease to bear interest on the day preceding the day on which they become due for redemption.

(2) **Due Date.** Interest shall be payable annually in arrears on 15 April of each year, beginning on 15 April 2010 (each an "Interest Payment Date").

(3) Interest Amount. On the fifth Business Day prior to the relevant Interest Payment Date (the "Calculation Date" the Calculation Agent will calculate the applicable index-linked rate of interest (the "Index-linked Interest Rate") and the applicable amount of interest payable on the Bonds (the "Interest Amount"). The Index-linked Interest Rate is calculated by multiplication of the rate of interest of 1,75 % per annum with the indexation coefficient (the "Indexation Coefficient") to be calculated in relation to the relevant Interest Payment Date. The Interest Amount will be determined by multiplication of the nominal amount of interest with the Indexation Coefficient to be determined for the relevant Interest Payment Date. The nominal amount of interest is calculated by multiplication of the aggregate principal amount of the Bonds with a rate of interest of 1,75 % per annum.

"Indexation Coefficient<sub>Interest Payment Date</sub>" means, in relation to each Interest Payment Date:

$$\frac{\text{Value of the Reference Index on the Interest Payment Date}_t}{\text{Base Index}}$$

The "Value of the Reference Index on the Interest Payment Date<sub>t</sub>" shall be calculated, in relation to each Interest Payment Date, by linear interpolation in accordance with the following formula:

$$\text{HICP}_{M-3} + \frac{d_t^M - 1}{D^M} (\text{HICP}_{M-2} - \text{HICP}_{M-3})$$

where:

HICP:

means the non-revised Harmonized Index of Consumer Prices (HICP) in the Euro-Zone – all items excluding tobacco – monthly calculated by the Statistical Office of the European Communities ("EUROSTAT") and published on the internet page <http://epp.eurostat.ec.europa.eu> (the "Reference Index").

HICP<sub>M-3</sub>:

means, in relation to each Interest Payment Date, the Value of the Reference Index of the third month preceding the month in which the Interest Payment Date falls.

HICP<sub>M-2</sub>:

means, in relation to each Interest Payment Date, the Value of the Reference Index of the second month preceding the month in which the Interest Payment Date falls.

$d_t^M$ :

the actual number of days of the month, in which the Interest Payment Date falls, including in each case from the first day of the month to the Interest Payment Date.

$D^M$ :

the actual number of days of the month, into which the Interest Payment Date falls.

The "Base Index" amounts to 107.02533.

The Value of the Reference Index on the Interest Payment Date<sub>t</sub> and the Indexation Coefficient will be, if so required, truncated to the sixth decimal place and then rounded to the fifth decimal place.

If on any Calculation Date the Value of the Reference Index was published on a provisional basis, the Interest Amount and the Index-linked Interest Rate shall be calculated on the basis of such provisional Value of the Reference Index, and no adjustment of such Interest Amount and the Index-linked Interest Rate shall be made upon publication of the definitive Value of the Reference Index.

Any revision of, or amendment to, the Reference Index after its initial publication shall not prejudice the determination of the Interest Amount payable from time to time, except in the case of a revision of the Index Reference Period, meaning the period for which the Reference Index is set at 100 ("Base Year Revision"). In such case, the Interest Amount shall be determined on the basis of the index as so revised, and the Calculation Agent shall make all adjustments which in its opinion are suitable to ensure that the Indexation Coefficient after such Base Year Revision corresponds to that prevailing before the Base Year Revision. Any Base Year Revision shall have no effect on any Interest Amounts which have previously been payable.

If at any time the Reference Index shall be corrected after its publication, the Calculation Agent shall apply the Reference Index as so corrected in the determination of the Interest Amount. Any such correction shall have no effect on any Interest Amounts which have previously been payable.

(4) Substitute Reference Index. If neither a provisional nor a definitive Value of the Reference Index can be determined on any Calculation Date and if no substitute index pursuant to subsection (5) has been determined, the Calculation Agent will calculate a substitute reference index ("eHICP<sub>p</sub>") ("Substitute Reference Index") in accordance with the following formula:

$$\text{HICP}_{P-1} * \left( \frac{\text{HICP}_{P-1}}{\text{HICP}_{P-13}} \right)^{\frac{1}{12}}$$

where:

P means the month for which the Value of the Reference Index cannot be determined,

HICP<sub>P-1</sub> means the Value of the Reference Index of the last preceding month during which the Reference Index was published by EUROSTAT,

HICP<sub>P-13</sub> means the Value of the Reference Index of the thirteenth preceding month during which the Reference Index was published by EUROSTAT.

Upon publication of a provisional or definitive Value of the Reference Index, such value shall apply as from the date following such publication, and the Substitute Reference Index shall from then on cease to apply.

Following the determination of a Substitute Reference Index all references herein to the Reference Index shall be taken as references to the Substitute Reference Index.

(5) Substitute Index. Substitute index ("Substitute Index") means an index which is calculated in accordance with the following provisions:

(a) Successor Index. If on any Calculation Date the Reference Index (i) is no longer calculated and published by EUROSTAT but is calculated by a successor body acceptable to the Calculation Agent or (ii) has been replaced by EUROSTAT or a successor body with a successor index the calculation of which is based, in the opinion of the Calculation Agent, on the same or substantially the same formula and method of calculation, then the index so calculated and published shall be deemed to be the Reference Index.

(b) Replacement. If on any Calculation Date the Reference Index shall no longer be published and subsection (5) (a) shall not be applicable, the Calculation Agent shall determine an alternative consumer price index which in the opinion of the Calculation Agent comes economically closest to the Reference Index, and the index so determined shall be deemed to be the Reference Index.

(6) Notices. The Calculation Agent shall give notice by publication in accordance with § 8 of the Interest Amount from time to time payable on any Interest Payment Date and the Index-linked Interest Rate underlying such Interest Amount as soon as practicable upon the calculation of the Interest Amount, but in no event later than on the Business Day preceding the relevant Interest Payment Date. If the Calculation Agent bases the determination of the Interest Amount and the Index-linked Interest Rate on the Substitute Reference Index pursuant to subsection (4) or on a Substitute Index pursuant to subsection (5) (a) or (b), the publication pursuant to the preceding sentence shall specify such fact.

(7) Determinations Binding. All determinations of Interest Amounts and all other determinations, opinions and decisions of the Calculation Agent for the purposes of this § 2 shall be binding on the Issuer and the Bondholders.

(8) Late Payment. Should the Issuer fail to redeem the Bonds on due date therefor, interest on the principal amount of the Bonds, subject to the provisions of § 4 (4), shall continue to accrue beyond the due date until actual redemption of the Bonds at the default rate of interest established by law.

(9) Accrued Interest. If it is necessary to compute interest for a period of other than a full year ("Calculation Period"), it shall be calculated on the basis of the days completed in the Calculation Period divided by the actual number of days in the Interest Period (365 or 366) (Actual/Actual). "Interest Period" means a period from the Interest Commencement Date or the last preceding Interest Payment Date (inclusive) to the next following Interest Payment Date (exclusive).

### § 3

#### Maturity, Redemption Amount, Repurchase

- (1) Maturity. The Bonds shall be redeemed at their redemption amount (the "Redemption Amount") on 15 April 2020 (the "Due Date"). Neither the Issuer nor any Bondholder shall be entitled to redeem the Bonds prior to their stated maturity.
- (2) Redemption Amount. The Redemption Amount shall be calculated by the Calculation Agent pursuant to the following formula:

$$\text{Aggregate Principal Amount} \times \text{Indexation Coefficient}_{\text{Due Date}}$$

where  $\text{Indexation Coefficient}_{\text{Due Date}}$  has the same meaning as the  $\text{Indexation Coefficient}_{\text{Interest Payment Date}}$  in § 2 (3). § 2 (4) through (7) shall apply mutatis mutandis.

Should the Redemption Amount so calculated be less than the aggregate principal amount, the Redemption Amount shall equal the aggregate principal amount.

- (3) Repurchase. The Issuer may at any time purchase, hold and resell Bonds in the open market or otherwise. Bonds held by the Issuer for its own account or for account of one of its special funds (Sondervermögen) may be cancelled in whole or in part in the Federal Debt Register.

### § 4

#### Payments

- (1) Payments.
  - (a) Payments of principal of, and interest on, the Bonds in the form of a collective debt register claim shall be made in Euro on the relevant payment date (subsection (3)) to, or to the order of, CBF for credit by CBF of the respective amounts due to CBF-Accountholders on the relevant Record Date (subsection (2)).
  - (b) All payments of principal of, and interest on, the Bonds made by the Issuer to, or to the order of, CBF shall discharge the liability of the Issuer under the Bonds to the extent of the sums so paid.
- (2) Record Date. The "Record Date" for purposes of payments of principal and interest shall be, in respect of each such payment, the date determined in accordance with the conventions observed by CBF from time to time for the entitlement of CBF-Accountholders to payments in respect of debt securities denominated in Euro and entered as a collective debt register claim into the Federal Debt Register in the name of CBF.
- (3) Payment Date and Due Date. For the purpose of these Terms and Conditions, "payment date" means the date on which payment is actually to be made, where applicable as adjusted in accordance with subsection (4), and "due date" means the payment date provided for herein, without taking account of any such adjustment.
- (4) Business Day Convention. If any due date for the payment of principal or interest to, or to the order of, CBF is not a Business Day such payment will not be made until the next

day which is a Business Day, and no further interest shall be paid in respect of the delay in such payment.

§ 5  
Taxation

All payments of principal and interest on the Bonds shall be made upon deduction or withholding on account of present or future taxes or other duties, if such deduction or withholding is required by law.

§ 6  
The Calculation Agent

Bundesrepublik Deutschland-Finanzagentur GmbH shall be the calculation agent (the "Calculation Agent"). The Issuer may at any time appoint another entity as Calculation Agent. The Issuer shall give notice of any change of the Calculation Agent by publication in accordance with § 8. Any Calculation Agent in such capacity is acting exclusively as agent of the Issuer and does not have any legal relationship of whatever nature with the Bondholders. It is not in any event accountable to any Bondholder.

§ 7  
Further Issues

The Issuer may from time to time, without the consent of the Bondholders, issue further bonds having the same terms and conditions as the Bonds in all respects (or, as the case may be, in all respects except for the Interest Commencement Date) so as to form a single series with the Bonds and increase their aggregate principal amount. In the case of such increase, "Bonds" shall mean also any further bonds issued for such purpose.

§ 8  
Notices

All notices regarding the Bonds shall be published in a leading daily newspaper of general circulation in the Federal Republic of Germany (expected to be the *Börsen-Zeitung*). Any notice will become effective for all purposes on the day following the date of its publication, or, if published more than once or on different dates, on the day following the first date of any such publication.

§ 9  
Miscellaneous Provisions

(1) Governing Law. The Bonds, both as to form and content, as well as the rights and duties of the Bondholders and the Issuer shall be governed by and shall be construed in accordance with German Law.

(2) Listing. The Bonds shall be listed in the official market (amtlicher Markt) of the Frankfurt Stock Exchange.

(3) Jurisdiction. Any action or other legal proceedings arising out of or in connection with the Bonds may exclusively be brought in the District Court (Landgericht) in Frankfurt am Main.

(4) Language. These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding.