

24 August 2007

**Kaupthing Bank hf.**

**Issue of EUR500,000 Notes due 2011 linked to a Basket of Shares ((the "Notes") to be consolidated and form a single series with the existing EUR18,000,000 Notes due 2011 linked to a Basket of Shares issued on 30 March 2007, Series 34 Tranche 1, the existing EUR1,500,000 Notes due 2011 linked to a Basket of Shares, Series 34 Tranche 2, the existing EUR 500,000 Notes due 2011 linked to a Basket of Shares, Series 34 Tranche 3 and the existing EUR1,100,000 Notes due 2011 linked to a Basket of Shares, Series 34 Tranche 4 (the "Original Notes")) under the EUR12,000,000,000 Euro Medium Term Note Programme**

**PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 31 August 2006 and the supplement to the Base Prospectus dated 2 February 2007 which together constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "*Prospectus Directive*"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus and the supplement to the Base Prospectus are available for viewing at the office of the Issuer at Borgartun 19, 105 Reykjavik, Iceland and on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

*The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider carefully, in light of their own financial circumstances, financial condition and investment objectives, all the information set forth in the Base Prospectus (including "Risk Factors" on pages 9 to 22 of the Base Prospectus) and these Final Terms.*

The Final Redemption Amount payable in respect of the Notes is linked to the performance of the Shares in the Basket. Investors should note that the Notes differ from ordinary debt securities issued by the Issuer under the Programme in that the return on the Notes is dependent on the performance of the Shares in the Basket and in certain circumstances investors may receive an amount on redemption of the Notes no greater than EUR50,000 per Note. Investors should form their own views on the merits of an investment related to the Shares in the Basket based upon their own investigation in respect of the Shares in the Basket.

- |    |                                   |                       |
|----|-----------------------------------|-----------------------|
| 1. | Issuer:                           | Kaupthing Bank hf.    |
|    | (i) Series Number:                | 34                    |
|    | (ii) Tranche Number:              | 5                     |
| 3. | Specified Currency or Currencies: | Euro (" <i>EUR</i> ") |

4. Aggregate Nominal Amount:
- (i) Series: EUR21,600,000
- (ii) Tranche: EUR500,000
5. Issue Price: 100 per cent. of the Aggregate Nominal Amount
6. Specified Denominations: EUR50,000
7. (i) Issue Date: 24 August 2007
- (ii) Interest Commencement Date: Not Applicable
8. Maturity Date: 30th March, 2011 or, if later, the fifth Business Day immediately succeeding the last occurring Observation Date (as defined in Schedule 1 hereto)
9. Interest Basis: Not Applicable
10. Redemption/Payment Basis: Redemption linked to a Basket of Shares (See Schedule 1 hereto)
11. Change of Interest Basis or Redemption/Payment Basis: Not Applicable
12. Put/Call Options: Not Applicable
13. (a) Status of the Notes: Senior
- (b) Date Board approval for issuance of Notes obtained: Not Applicable
14. Method of distribution: Non-syndicated

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

15. **Fixed Rate Note Provisions** Not Applicable
16. **Floating Rate Note Provisions** Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index Linked Interest Note Provisions** Not Applicable
19. **Dual Currency Interest Note Provisions** Not Applicable
20. **Target Redemption Note Provisions:** Not Applicable
21. **Range Accrual Note Provisions:** Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

22.	Issuer Call	Not Applicable
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note	The Final Redemption Amount in respect of each nominal amount of Notes equal to the Specified Denomination is an amount in EUR calculated by the Calculation Agent equal to such Note's <i>pro rata</i> share of the product of (a) EUR500,000 and (b) the sum of (i) 100 per cent. and (ii) the product of (x) 105 per cent. and (y) the Basket Payout (as defined in Schedule 1 hereto)
26.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default or following certain corporate events in accordance with paragraph 3 of Schedule 1 hereto or following an Additional Disruption Event as described in paragraph 4 of Schedule 1 hereto and/or the method of calculating the same (if required or if different from that set out in Condition 7(f)):	The Early Redemption Amount in respect of each nominal amount of Notes equal to the Specified Denomination is an amount in EUR calculated by the Calculation Agent equal to the fair market value of such Notes less Unwind Costs (as defined in Schedule 1 hereto). For the purposes of determining the fair market value of the Notes following an event of default, no account shall be taken of the financial condition of the Issuer which shall be presumed to be able to fully perform its obligations in respect of the Notes.
27.	Capital Notes Provisions	Not Applicable

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

28.	(a) Form of Notes:	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
	(b) New Global Note:	No
29.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Vienna
30.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
31.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable

32. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
33. Redenomination applicable: Redenomination not applicable
34. Other final terms: See Schedule 1 hereto.

On the Exchange Date the Temporary Bearer Global Note will be exchanged for the Permanent Bearer Global Note. Upon such exchange these Notes will be consolidated and form a single series with the Original Notes (ISIN Code XS0289020934 and Common Code 028902093). The "Exchange Date" will be not earlier than 3 October 2007.

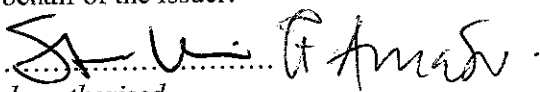
#### DISTRIBUTION

35. (i) If syndicated, names of Managers: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: Deutsche Bank AG, London Branch
37. Total commission and concession: Not Applicable
38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
39. Additional selling restrictions: Not Applicable

#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:    
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: None
- (ii) Admission to trading: Not Applicable
- (iii) Estimate of total expenses related to admission to trading: Not Applicable

### 2. OPERATIONAL INFORMATION

- (i) ISIN Code: On the Issue Date the Temporary ISIN Code will be XS0317986049. Upon exchange of the Temporary Bearer Global Note for the Permanent Bearer Global Note the ISIN Code will be XS0289020934.
- (ii) Common Code: On the Issue Date the Temporary Common Code will be 031798604. Upon exchange of the Temporary Bearer Global Note for the Permanent Bearer Global Note the Common Code will be 028902093.
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Not Applicable
- (iv) Delivery: Delivery against payment
- (v) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: No

## SCHEDULE 1

### 1. DEFINITIONS

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity under direct or indirect common control with the person. As used herein "**control**" means the ownership of a majority of the voting power of the entity or, as the case may be, the entity or the person and "**controlled by**" and "**controls**" shall be construed accordingly.

"**Basket**" means the basket comprising the shares (each a "**Share**") described by the relevant Reuters Code ("**RIC**") (or such other code or page that may replace that code on that service, or such other service as may be nominated by the Calculation Agent as the information vendor, for the purposes of displaying such information) and issued by the companies (each a "**Share Company**") as set out in Schedule 2 hereto.

"**Basket Payout**" means a rate (expressed as a percentage) calculated by the Calculation Agent equal to:

$$\text{Max} \left[ 0\%, \frac{1}{16} \sum_{t=1}^{16} \frac{1}{7} \sum_{i=1}^7 \left( \frac{\text{Share}_i(t)}{\text{Share}_i(t_0)} - 1 \right) \right]$$

Where:

Share<sub>i</sub>(t) means the Closing Price of Share<sub>i</sub> on Observation Date(t); and

Share<sub>i</sub>(t<sub>0</sub>) means the Initial Closing Price in respect of Share<sub>i</sub>.

"**Business Day**" means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Vienna; and
- (b) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "**TARGET System**") is open.

"**Calculation Agent**" means Deutsche Bank AG, London Branch.

"**Closing Price**" means, in respect of a Share and an Observation Date, and subject as provided in the definition of Observation Date below and in paragraph 5 (Corrections to Published Levels) below, the official closing price of such Share quoted on the relevant Exchange on such Observation Date, as determined by or on behalf of the Calculation Agent.

"**De-Listing**" means, in respect of any relevant Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union).

"**Disrupted Day**" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption

Event has occurred. The Calculation Agent shall as soon as reasonably practicable notify the Issuer and the Agent of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Observation Date. Failure by the Calculation Agent to notify the Issuer and the Agent of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

**"European Union"** as established by the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended by the Treaty on European Union (signed in Maastricht on 7th February, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2nd October, 1997).

**"Exchange"** means, in respect of a Share, such exchange or quotation system set out beside the Share Company in respect of such Share in Schedule 2 hereto and any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**"Initial Closing Price"**, in respect of a Share, is as set out in Schedule 2 hereto.

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting a Share Company (i) all the Shares of that Share Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Share Company become legally prohibited from transferring them.

**"Market Disruption Event"** means, in respect of a Share:

- (i) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
    - (a) relating to the Share on the Exchange; or
    - (b) in futures or options contracts relating to the Share on any relevant Related Exchange; or
  - (b) any event (other than an event described in (ii) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Share on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange,

which in either case the Calculation Agent determines is material; or

- (ii) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (a) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (b) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**"Merger Event"** means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of, or an irrevocable commitment to transfer, all such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change of all such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Share Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiaries with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the last occurring Observation Date.

**"Nationalisation"** means that all the Shares or all or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**"Observation Date"** means 23rd June, 2007, 23rd September, 2007, 23rd December, 2007, 23rd March, 2008, 23rd June, 2008, 23rd September, 2008, 23rd December, 2008, 23rd March, 2009, 23rd June, 2009, 23rd September, 2009, 23rd December, 2009, 23rd March, 2010, 23rd June, 2010, 23rd September, 2010, 23rd December, 2010 and 23rd March, 2011, or if any Observation Date is not a Scheduled Trading Day, the immediately succeeding Scheduled Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day the relevant Observation Date for each Share not affected by the occurrence of a Disrupted Day shall be the original date that, but for the occurrence of an event causing a Disrupted Day, would have been such Observation Date (a "**Scheduled Observation Date**") and the Observation Date for each Share affected (each an "**Affected Share**") by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Share unless each of the eight Scheduled Trading Days immediately following the relevant Scheduled Observation Date is a Disrupted Day relating to the Affected Share. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the relevant Observation Date for the Affected Share, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the relevant Closing Price using, in relation to the Affected Share, its good faith estimate of the value for the Affected Share as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.



**"Potential Adjustment Event"** means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (1) such Shares or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of a Share Company equally or proportionately with such payments to holders of such Shares or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an extraordinary dividend as determined by the Calculation Agent;
- (iv) a call by a Share Company in respect of relevant Shares that are not fully paid;
- (v) a repurchase by a Share Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of a Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Company, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Shares.

**"Related Exchange"** means, in relation to a Share, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

**"Scheduled Closing Time"** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**"Scheduled Trading Day"** means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**"Tender Offer"** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Share Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**"Trade Date"** means 17 August 2007.

"**Unwind Costs**" means the amount payable to the Issuer (expressed as a negative amount) or by the Issuer (as a positive amount) on termination of any hedge or related trading position in respect of the Notes, such amount to be apportioned *pro rata* amongst each EUR50,000 in nominal amount of Notes.

"**Valuation Time**" means the Scheduled Closing Time on the relevant Exchange on the Observation Date in relation to each Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be the actual closing time.

## **2. ADJUSTMENTS FOR POTENTIAL ADJUSTMENT EVENTS**

- (a) Following the declaration by a Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the terms of the Conditions and/or these Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.
- (b) Upon making any such adjustment, the Calculation Agent shall as soon as practicable give notice to the Noteholders in accordance with Condition 14, stating the adjustment to any of the terms of the Conditions and/or these Final Terms and giving brief details of the Potential Adjustment Event.

## **3. DE-LISTING, MERGER EVENT, NATIONALISATION, INSOLVENCY, TENDER OFFER AND ADJUSTMENTS IN RESPECT OF SHARES QUOTED IN EUROPEAN CURRENCIES**

- (a) If a De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer occurs, in each case, in relation to a Share, the Issuer in its sole and absolute discretion may:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the terms of the Conditions and/or these Final Terms to account for the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may in the case of adjustments following a Merger Event or Tender Offer include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares; or
- (ii) give notice to the Noteholders in accordance with Condition 14 and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Specified Denomination being redeemed at the Early Redemption Amount.

If the provisions of this paragraph 3(a)(i) apply the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, as the case may be, made by an options exchange to options on the Shares traded on that options exchange.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 stating the occurrence of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

- (b) Where Shares were originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Shares are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust any one or more of the terms of the Conditions and/or these Final Terms as the Calculation Agent determines in its sole and absolute discretion to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this paragraph 3(b) will affect the currency denomination of any payments in respect of the Notes.

#### 4. ADDITIONAL DISRUPTION EVENTS

If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (a) or (b) below:

- (a) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the terms of the Conditions to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (b) give notice to the Noteholders in accordance with Condition 14 and redeem all, but not some only, of the Notes, each nominal amount of Notes equal to the Specified Denomination being redeemed at the Early Redemption Amount.

Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto.

**"Additional Disruption Event"** means any of Change of Law, Hedging Disruption, Increased Cost of Hedging and/or Insolvency Filing.

**"Change in Law"** means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in its sole and absolute discretion that (X) it has become illegal to hold, acquire or dispose of any relevant Share or (Y) the Issuer or any of its Affiliates will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

**"Hedging Disruption"** means that the Hedging Party is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer

issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Hedging Party"** means Deutsche Bank AG, London Branch.

**"Hedging Shares"** means the number of Shares that the Hedging Party deems necessary to hedge the equity or other price risk of the Issuer entering into and performing its obligations with respect to the Notes.

**"Increased Cost of Hedging"** means that the Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Hedging Party shall not be deemed an Increased Cost of Hedging.

**"Insolvency Filing"** means that a Share Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company shall not be deemed an Insolvency Filing.

## **5. CORRECTIONS TO PUBLISHED LEVELS**

For the purposes of determining the Final Redemption Amount, if the level published or announced on any Observation Date and used by the Calculation Agent to determine the Final Redemption Amount is subsequently corrected and the correction is published on or prior to the Maturity Date, the Calculation Agent will use such corrected level to determine the Final Redemption Amount.

## **6. CALCULATION AGENT**

All determinations and calculations of the Calculation Agent made under the Notes shall be made in its sole and absolute discretion and shall be binding on the Noteholders in absence of manifest error. The Noteholders shall (in the absence of manifest error as aforesaid) not be entitled to proceed against the Calculation Agent in connection with the exercise or non-exercise by it of its obligations, duties and discretions pursuant to the Notes.

## SCHEDULE 2

### Basket of Shares

<b>i</b>	<b>Share Company</b>	<b>Initial Closing Price</b>	<b>Reuters Code</b>	<b>Exchange</b>
1	CA Immobilien AG	23.82	CAIV.VI	The Austrian Stock Exchange
2	Conwert Immobilien Ag	16.79	CONW.VI	The Austrian Stock Exchange
3	ECO Business- Immobilien Anlagen AG	14.75	EBIV.VI	The Austrian Stock Exchange
4	Immoeast Immobilien Anlagen AG	11.42	IMEA.VI	The Austrian Stock Exchange
5	Immofinanz Immobilien Anlagen AG	11.87	IMFI.VI	The Austrian Stock Exchange
6	Meinl European Land	20.45	MELV.VI	The Austrian Stock Exchange
7	Sparkassen Immobilien AG	14.64	SIAG.VI	The Austrian Stock Exchange